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ABSTRACT

This report lists recommendations approved by the National Association of Student Financial Aid Administrators (NASFAA) for reauthorization of the Higher Education Act and is intended to be submitted to U.S. Congressional hearings scheduled for fall 1997. It covers nine major areas: (1) grant-loan imbalances; (2) level playing field loan issues; (3) grants to students in attendance at institutions of higher education; (4) the federal family education loan program; (5) federal work-study programs; (6) the William D. Ford federal direct loan program; (7) the federal Perkins loan program; (8) need analysis; and (9) general provisions relating to student assistance programs. Text for each section is arranged across three columns; the first lists the provisions of the current law, the second contains suggested legislative language to accomplish the changes sought by NASFAA, and the third column notes the rationale for the suggested revision. An appendix lists miscellaneous suggested amendments for Pell grant and other programs, Title IV eligibility, study abroad, block grants, project EASI, and implementation dates. (CH)

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ED 409 822

Building for Reauthorization

NASFAA Legislative Recommendations

to the

United States Congress

HE030 357-4

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National Association of Student Financial Aid Administrators

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May 14, 1997

Dear NASFAA Member:

After two years of extensive input from the membership and work by the Reauthorization Task Force, our Board of Directors approved NASFAA's recommendations for reauthorization of the Higher Education Act (HEA). The Board of Directors approved Task Force recommendations in November 1996 and in April 1997. We have taken those approved recommendations, and as requested by the authorizing committees of the U.S. Congress, have translated those recommendations into legislative language. *Building for Reauthorization, NASFAA Legislative Recommendations to the U.S. Congress* represents this body of information delivered to congressional policy-makers earlier this month.

This document is divided into three columns. The first contains current legislative language in the HEA. The second contains suggested legislative language to accomplish the changes sought by NASFAA. The third column contains a rationale and justification.

The Congress is holding reauthorization hearings during the spring and summer of 1997. It is possible that one or both chambers will complete their committee markups on such a bill, or even complete floor action by late fall. With this comprehensive and interactive package of recommendations, NASFAA's Reauthorization Task Force and our Board of Directors has placed improving the ability of students and parents to finance a postsecondary education and improving your office functions as top priorities . It is important that we try to stay unified in the coming months ahead. If we are divided, then it is easier for the Congress to ignore substantive changes in the HEA that would assist most of our students and schools.

I urge you to continue your involvement in the reauthorization legislative process for the benefit of your students and schools. We look forward to your full participation and stand ready to assist you in your reauthorization efforts on behalf of students, parents, schools, and taxpayers. We hope this document is informative and useful in those efforts.

Sincerely,

Dallas Martin
President

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National Association of Student Financial Aid Administrators (NASFAA)
Reauthorization Recommendations
May 1997

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Grant Loan Imbalance

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Grant/Loan Imbalance

NASFAA and its Reauthorization Task Force struggled with grant/loan imbalance, student debt burden, accessibility, and related issues. After much thought and debate, NASFAA makes this comprehensive proposal for consideration by the Congress to strike a balance and symmetry in these areas that would better serve students and schools and make programmatic sense. The Federal Pell Grant and federal student loan recommendations are a complementary policy package and NASFAA urges their consideration as a total plan to assist in financing an education.

Twenty years ago the Federal Pell Grant maximum award was $1,400. The award has not kept pace with inflation. The program's purpose to be the foundation of award packages for students and families of limited economic means has diminished. In January 1997, the Washington Post noted in a news story, "The purchasing power of the Pell Grant has fallen 37 percent since 1980, according to the Department of Education." President Clinton has recommended a $300 increase for FY-98 in the maximum award bringing it to $3,000. The Post article continues, "If the expansion recommended by Clinton is approved by the Congress, the value of the award would still be 27 percent less than it was worth in 1980."

NASFAA presents the Congress with appropriate policies to ensure access to postsecondary education for the five years covered by this reauthorization bill. NASFAA notes in the 1992 reauthorization both the House and Senate authorizing committees reported bills containing a Federal Pell Grant entitlement. The House authorizing Committee Report on the bill (102-447) stated, "Since the authorized maximum Federal Pell Grant has not been funded in 13 years, the committee believes that simply writing more authorization levels in the law will only be another exercise in making empty promises and will do nothing to redress the imbalance between loans and grants. The Committee believes that in order to effectively provide educational opportunity to students from low-income, working and middle-income families funding for the Federal Pell Grant must be assured. The only way to ensure funding of the authorized Federal Pell Grant program is through an entitlement." The Senate authorizing committee's report for its 1992 HEA reauthorization stated, "The Committee recognizes the reasons why grant/loan imbalance has occurred: loans are cheaper to the Federal Government than grants, a critical consideration during this /period of huge Federal deficits. Loans leverage about $4 in assistance for every $1 of Federal spending whereas the total cost of grants is borne by annual Federal funding. Loans are also entitlements, subject to curbs on spending only through the reconciliation process, while grants must compete for funds in the annual appropriations process with multitudes of other educational and social priorities. But the Committee believes what may have been good budget policy has not been good policy for student aid programs...The implication of the decline in the purchasing power of the Pell grant is clear: needy students have no choice but to turn to loans...This legislation will restore the relationship between grants and loans that was originally envisioned for title IV programs: grants will be the foundation of aid for needy students; loans will be a supplementary program to help students and their families pay for a college education. The Committee believes that this will be accomplished by providing larger Pell grants for more students and by assuring that funds will be available to pay for them..." NASFAA agrees with both committee reports. If the grant/loan imbalance is to be corrected, then there needs to be an assurance of funding and an entitlement program is the only conceivable legislative option.

NASFAA also notes President Clinton recommended creation of a new postsecondary student assistance entitlement program targeted on middle-income Americans. The Administration's tax entitlement proposals would implement both a $1,500 tax credit (Hope Scholarships) and $10,000

tax deduction for postsecondary expenses. NASFAA believes if middle-income citizens are to receive the benefits of a tax expenditure entitlement program such as the president proposes, then low-income families should have access to Federal Pell Grant Program funds that are guaranteed and not subject to vagaries of the congressional appropriations process.

NASFAA recommends changing the Federal Pell Grant Program as follows:

a. Authorize the Federal Pell Grant Program as a true entitlement program.
b. Increase authorized Federal Pell Grant maximum award to $5,000.
c. Increase maximum by $200 per year for length of authorization.
d. Retain current Federal Pell Grant minimum award at this time.
e. Oppose front-loading of Federal Pell Grants.
f. Oppose any cap on the number of students or years.

NASFAA recommends changing the Federal loan programs (FFELP and Direct Loan Program) as follows:

For undergraduate borrowers

g. Provide $5,500 base loan amount for each undergraduate year, eliminating differential loan amounts by class year.
h. Provide for additional unsubsidized loans a maximum of $5,500, i.e. independent undergraduates/PLUS denial borrowers for each undergraduate year.
i. Increase loan maximums by $300 in the third and fifth years of the authorized bill.
j. Set aggregate base loan limit of $28,700.
k. Permit schools to approve a lower loan maximum than that provided in the Act, except schools could not reduce the PLUS limit.
l. Allow loan proration only for borrowers in a program of study that is less than one academic year.

For graduate and professional student borrowers

m. Provide $10,000 base loan.
n. Allow for additional unsubsidized loan maximum of cost of attendance minus other aid.
o. Increase base loan by $500 in third and fifth years of the authorized bill.
p. Set aggregate base loan limit of $80,700 (including undergraduate borrowing).

For PLUS Loan borrowers

q. Retain PLUS gateway without change (e.g. allow unsubsidized loan eligibility for dependent students whose parents are denied a PLUS loan).
r. Retain current PLUS adverse history requirement and reject credit checks or debt-to-income tests.
s. Retain PLUS loan limit unchanged, except that financial aid administrators would not be permitted to establish a lower PLUS limit.

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations

Grant/Loan Imbalance

Current Law	Suggested Amendment	Rationale
Section 401(b) PURPOSE AND AMOUNT OF GRANTS.--(1)...	Section 401(b)is amended to read as follows: (b) PURPOSE AND AMOUNT OF GRANTS.--(1)...	**GL-1. Federal Pell Grant maximum award level.** NASFAA recommends an increase in the Federal Pell Grant maximum award to $5,000 and the $200 annual increase thereafter is based on past NASFAA Federal Pell Grant reauthorization proposals. The $5,000 maximum award amount recognizes the necessity to increase grant funding for students, not only to redress the reduction in purchasing power of Federal Pell Grants, but also to redress the shift away from grants to loan funding for many Title IV aid recipients. It presents the Congress with a maximum award level that realistically represents the essential need of students for Federal Pell Grant, if this program is truly to be the foundation of aid packages. NASFAA notes its recommendation for a $5,000 Federal Pell Grant maximum is only $500 more than the currently authorized maximum award.
(2)(A) The amount of the basic grant for a student eligible under this part shall be-- (i) $3,700 for academic year 1993-1994, (ii) $3,900 for academic year 1994-1995, (iii) $4,100 for academic year 1995-1996, (iv) $4,300 for academic year 1996-1997, and (v) $4,500 for academic year 1997-1998,	(2)(A) ~~**The amount of the basic grant for a student eligible under this part shall be--**~~ ~~**(i) $3,700 for academic year 1993-1994,**~~ ~~**(ii) $3,900 for academic year 1994-1995,**~~ ~~**(iii) $4,100 for academic year 1995-1996,**~~ ~~**(iv) $4,300 for academic year 1996-1997, and**~~ ~~**(v) $4,500 for academic year 1997-1998,**~~ **The maximum amount to which a student is entitled under this part shall be--** **(i) $5,000 for academic year 1998-1999,** **(ii) $5,200 for academic year 1999-2000,** **(iii) $5,400 for academic year 2000-2001** **(iv) $5,600 for academic year 2001-2002, and** **(v) $5,800 for academic year 2002-2003,**	
less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.	less an amount equal to the amount determined to be the expected family contribution with respect to that student for that year.	
(5) No basic grant shall be awarded to a student under this subpart if the amount of that grant for that student as determined under this subsection for any academic year is less than $400, except that a student who is eligible for a basic grant that is equal to or greater than $200 but less than $400 shall be awarded a basic	**Retain current law.**	**GL-2. Federal Pell Grant minimum award.** NASFAA does not recommend an increase in the minimum Federal Pell Grant at this time.

Current Law	Suggested Amendment	Rationale
grant of $400.		
Section 401(g) INSUFFICIENT APPROPRIATIONS.--If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall promptly transmit a notice of such insufficiency to each House of the Congress, and identify in such notice the additional amount that would be required to be appropriated to satisfy fully all entitlements (as so calculated at such maximum grant level).	Section 401(g) is amended to read as follows: **(g) CONTRACTUAL RIGHT TO GRANT.--Each student who has qualified for a grant under this section shall have a contractual right against the United States for the amount to which the student is entitled under this section.** ~~**INSUFFICIENT APPROPRIATIONS.--If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall promptly transmit a notice of such insufficiency to each House of the Congress, and identify in such notice the additional amount that would be required to be appropriated to satisfy fully all entitlements (as so calculated at such maximum grant level).**~~	**GL-3. Federal Pell Grant Entitlement.** NASFAA believes that if the grant/loan imbalance is to be corrected, then there needs to be an assurance of funding and an entitlement program is the only conceivable legislative option.
Cross reference.	**See NASFAA recommendation AP-1.**	**GL-4. Federal Pell Grant Program front-loading and limitation proposals.**

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National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations

Grant/Loan Imbalance

Current Law	Suggested Amendment	Rationale
	Note: Conform FISL Sections 425 and 427 to recommendations that follow as appropriate.	
Section 428(b) INSURANCE PROGRAM AGREEMENTS TO QUALIFY LOANS FOR INTEREST SUBSIDIES.-- (1) REQUIREMENTS OF INSURANCE PROGRAM.--Any State or any nonprofit private institution or organization may enter into an agreement with the Secretary for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) if the Secretary determines that the student loan insurance program-- (A) authorizes the insurance in any academic year or its equivalent (as determined under regulations of the Secretary) for any student who is carrying at an eligible institution or in a program of study abroad approved for credit by the eligible home institution at which such student is enrolled at least one-half the normal full-time academic workload (as determined by the institution) in any amount up to a maximum of--	Section 428(b) is amended to read as follows: (b) INSURANCE PROGRAM AGREEMENTS TO QUALIFY LOANS FOR INTEREST SUBSIDIES.-- (1) REQUIREMENTS OF INSURANCE PROGRAM.--Any State or any nonprofit private institution or organization may enter into an agreement with the Secretary for the purpose of entitling students who receive loans which are insured under a student loan insurance program of that State, institution, or organization to have made on their behalf the payments provided for in subsection (a) if the Secretary determines that the student loan insurance program-- (A) authorizes the insurance in any academic year or its equivalent (as determined under regulations of the Secretary) for any student who is carrying at an eligible institution or in a program of study abroad approved for credit by the eligible home institution at which such student is enrolled at least one-half the normal full-time academic workload (as determined by the institution) in any amount up to a maximum of--	For federal student loan policy affecting both the FFEL and Direct Loan Programs, NASFAA again, reiterates its cautionary note that the loan recommendations cannot be considered out of context. The loan recommendations are part of a package that complement the Federal Pell Grant recommendations.

Current Law	Suggested Amendment	Rationale
	(i) in the case of an student at an eligible institution in a program of undergraduate education-- **(I) $5,500, or** **(II) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as measured in semester, trimester, quarter, or clock hours bears to one academic year;**	**GL-5. FFELP/Direct Loan maximum annual loan amount.** For undergraduate students, NASFAA recognizes that the cost of education for a first-year or second-year student is no less than that for juniors and seniors. Costs for first-year students may even be higher than for other classes since there are one-time purchases that are not repeated. The point is freshman and sophomores have the same tuition, room and board, and academic supply costs as upperclassmen. Consequently, NASFAA recommends eliminating loan maximums in the FFEL and Direct Loan Programs determined by year of study. Instead of three Stafford annual loan limits, NASFAA recommends a base-year loan maximum of $5,500 per year for all undergraduates. Therefore, undergraduate annual loan limits would be consistent during a borrower's program of undergraduate study. In making these recommendations NASFAA suggests that increasing loan limits for first- and second-year borrowers will allow many students to stay within one federal loan program and not turn to private sector, non-federal loans. NASFAA also notes that loan limits for freshmen are at the level set by the 1986 HEA reauthorization.
(i) in the case of a student at an eligible institution who has not successfully completed the first year of a program of undergraduate education-- (I) $2,625, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 481); (II) $1,750, if such student is enrolled in a program whose length is less than one academic year, but at least 2/3 of such an academic year; and (III) $875, if such student is enrolled in a program whose length is less than 2/3, but at least 1/3, of such an academic year;	~~**(i) in the case of a student at an eligible institution who has not successfully completed the first year of a program of undergraduate education--**~~ ~~**(I) $2,625, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 481);**~~ ~~**(II) $1,750, if such student is enrolled in a program whose length is less than one academic year, but at least 2/3 of such an academic year; and**~~ ~~**(III) $875, if such student is enrolled in a program whose length is less than 2/3, but at least 1/3, of such an academic year;**~~	
(ii) in the case of a student at an eligible institution who has successfully completed	~~**(ii) in the case of a student at an eligible institution who has successfully completed**~~	**GL-6. Application of loan proration.** NASFAA believes loan proration is

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Current Law	Suggested Amendment	Rationale
such first year but has not successfully completed the remainder of a program of undergraduate study-- (I) $3,500, or (II) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year; (iii) in the case of a student at an eligible institution who has successfully completed the first and second years of a program of undergraduate education but has not successfully completed the remainder of such program-- (I) $5,500; or (II) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year;	~~such first year but has not successfully completed the remainder of a program of undergraduate study--~~ ~~(I) $3,500, or~~ ~~(II) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year;~~ ~~(iii) in the case of a student at an eligible institution who has successfully completed the first and second years of a program of undergraduate education but has not successfully completed the remainder of such program--~~ ~~(I) $5,500; or~~ ~~(II) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year;~~	administratively complex and is mandated by the law, in several cases, inappropriately. NASFAA recommends a targeted loan proration applying only for students in a program of study that is less than one academic year. NASFAA believes current law carries proration too far and that loan proration as a policy is better utilized for this limited class of students and programs. Other current prorations would be eliminated. The final year of a program of study of one year or more will not be subject to proration, even if the final period of enrollment is less than an academic year.

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National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Grant/Loan Imbalance

Current Law	Suggested Amendment	Rationale
(iv) in the case of a student who has received an associate or baccalaureate degree and is enrolled in an eligible program for which the institution requires such degree for admission, the number of years that a student has completed in a program of undergraduate education shall, for the purposes of clauses (ii) and (iii), include any prior enrollment in the eligible program of undergraduate education for which the student was awarded such degree; and	~~(iv) in the case of a student who has received an associate or baccalaureate degree and is enrolled in an eligible program for which the institution requires such degree for admission, the number of years that a student has completed in a program of undergraduate education shall, for the purposes of clauses (ii) and (iii), include any prior enrollment in the eligible program of undergraduate education for which the student was awarded such degree; and~~	
(v) in the case of a graduate or professional student (as defined in regulations of the Secretary) at an eligible institution, $8,500;	~~(v)~~ **(ii)** in the case of a graduate or professional student (as defined in regulations of the Secretary) at an eligible institution, ~~**$8,500**~~ **$10,000**;	**GL-7. Graduate/Professional student annual loan limits.** NASFAA's proposal meets the needs of graduate and professional students with a modest increase in the base year loan limit to $10,000. The additional unsubsidized loan program would be limited to cost of attendance minus other aid which would allow graduate and professional students, by-and-large, to borrow from the federal loan programs and avoid private loans. Again, graduate school financial aid administrators would have the same ability to implement loan limits lower than those authorized in the HEA as would undergraduate aid administrators under the our proposal.
except in cases where the Secretary determines, pursuant to regulations, that a higher amount is warranted in order to carry out the purpose of this part with respect to students engaged in specialized training requiring exceptionally high costs of education, but the annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any years in excess of the annual limit;	except in cases where the Secretary determines, pursuant to regulations, that a higher amount is warranted in order to carry out the purpose of this part with respect to students engaged in specialized training requiring exceptionally high costs of education, but the annual insurable limit per student shall not be deemed to be exceeded by a line of credit under which actual payments by the lender to the borrower will not be made in any years in excess of the annual limit;	

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Current Law	Suggested Amendment	Rationale
No comparable legislative provision.	**(iii) the amount under clause (I) of division (i) shall be--** **(I) $5,800 for academic year 2000-2001, and** **(II) $6,100 for academic year 2002-2003.** **(iv) the amount under division (ii) shall be--** **(I) $10,500 for academic year 2000-2001, and** **(II) $11,000 for academic year 2002-2003.**	**GL-8. Increases in loan limits.** NASFAA recommends modest and responsible increases in these undergraduate annual loan limits of $300 in the third and fifth years covered by this reauthorization legislation for both programs (subsidized and unsubsidized) to address necessary adjustments for inflation. In the third and fifth years covered by this reauthorization, the base year limits of $10,000 would rise by $500 each year for graduate/professional students.
(B) provides that the aggregate insured unpaid principal amount for all such insured loans made to any student shall be any amount up to a maximum of-- (i) $23,000, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 428A or 428B; and (ii) $65,500, in the case of any graduate or professional student (as defined by regulations of the Secretary), and (I) including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student, but (II) excluding loans made under section 428A or 428B, except that the Secretary may increase the limit applicable to students who are pursuing programs which the Secretary determines are	(B) provides that the aggregate insured unpaid principal amount for all such insured loans made to any student shall be any amount up to a maximum of-- (i) ~~$23,000~~ **$28,700**, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 428A or 428B; and (ii) ~~$65,500~~ **$80,700**, in the case of any graduate or professional student (as defined by regulations of the Secretary), and (I) including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student, but (II) excluding loans made under section 428A or 428B, except that the Secretary may increase the limit applicable to students who are pursuing	**GL-9. Aggregate loan limits.** Following from these annual loan limits, NASFAA would set the undergraduate base year aggregate loan limit at $28,700 and the aggregate base loan limit of $80,700 for graduate and professional students.

Current Law	Suggested Amendment	Rationale
exceptionally expensive;	programs which the Secretary determines are exceptionally expensive;	
No comparable legislative provisions.	Section 428(b)(1) is amended by adding a new subparagraph that reads as follows: **"(Y) Special Rule.--(i) Nothing under this title shall limit the authority of an eligible institution to establish lower annual loan limits than those specified in subparagraph (A) on an institution-wide basis, or by program, or class year.** **(ii) An institution that chooses to exercise its authority under division (i) shall not require a student to borrow a loan under section 428H if the student has remaining eligibility to borrow under this subsection.** **(iii) If an institution chooses to exercise its authority under division (i), the financial aid administrator may, on a case by case basis, increase the annual loan limits for a borrower up to the levels specified in subparagraph (A).** **(iv) Section (b)(1)(Y) shall not apply to section 428B of this title."**	**GL-10. School authority to set lower institutional loan limits.** Sensitive to arguments that students are borrowing too much, a NASFAA recommendation assists in this matter. The suggested amendment would permit schools to set lower institutional loan limits for Part B and Part D loans and to choose whether their students can borrow Unsubsidized Stafford Loans. This would be in addition to the current authority in Section 428(a)(2)(F), which permits schools to refuse to certify (or to reduce the amount of) a student's loan on a case-by-case basis. This change would grant a school the authority to establish its own annual loan limits, at or below the maximum established in the HEA, on an institution-wide basis, or by program, or class year. However, an institution would not be permitted to require a borrower who has additional Subsidized Loan eligibility under the HEA annual loan limits to borrow an Unsubsidized Stafford Loan solely due to lower annual loan limits established by the institution. That is, borrowers must use up all

Current Law	Suggested Amendment	Rationale
	Section 428H(d) is amended by adding a new paragraph that reads as follows: "(4) **Special Rule.--(A) Nothing under this title shall limit the authority of an eligible institution to establish lower annual loan limits, including a loan limit of $0 under this section, than those specified in paragraph (2) on an institution-wide basis, or by program, or class year.** **(B) An institution that chooses to exercise its authority under subparagraph (A) shall not require a student to borrow a loan under this section if the student has remaining eligibility to borrow under section 428(b).** **(C) If an institution chooses to exercise its authority under subparagraph (A), the financial aid administrator may, on a case by case basis, increase the annual loan limits for a borrower up to the levels specified in paragraph (2).**	Subsidized Loan eligibility up to the HEA maximum before they are eligible for an Unsubsidized loan. NASFAA believes this additional authority is necessary to help schools limit excess borrowing and better manage their default rates. This authority to reduce the maximum annual loan amounts would not apply to Section 428B, PLUS loans. This recommendation gives schools the greatest flexibility to structure annual loan limits and institutional packaging policies and, at least, where loan limit policy is concerned breaks the "one size fits all" annual loan limit policy as is currently in the HEA. NASFAA recognizes this proposal to limit borrowing will result in a need for increased communication and consumer information for students, parents, and high school guidance counselors explaining the differences in costs of schools and the loan maximum policies selected by postsecondary institutions.
Section 428B(a) AUTHORITY TO BORROW.--Parents of a dependent student, who do not have an adverse credit history as determined pursuant to regulations of the Secretary, shall be eligible to borrow funds under this section in amounts specified in subsection (b), and unless otherwise specified in subsections (c), (d), and (e), such loans shall	**Retain current law.**	**GL-11. PLUS adverse credit history.** NASFAA finds little evidence that the current system is not working regarding PLUS borrowing and, therefore, recommends neither a change to institute credit checks nor debt-to-income ratio tests as a prerequisite to obtaining a loan leaving the current adverse history requirement in place.

Current Law	Suggested Amendment	Rationale
have the same terms, conditions, and benefits as all other loans made under this part. Whenever necessary to carry out the provisions of this section, the terms ``student'' and ``borrower'' as used in this part shall include a parent borrower under this section.		
(b) LIMITATION BASED ON NEED.--Any loan under this section may be counted as part of the expected family contribution in the determination of need under this title, but no loan may be made to any parent under this section for any academic year in excess of (A) the student's estimated cost of attendance, minus (B) other financial aid as certified by the eligible institution under section 428(a)(2)(A). The annual insurable limit on account of any student shall not be deemed to be exceeded by a line of credit under which actual payments to the borrower will not be made in any year in excess of the annual limit.	**Retain current law.**	**GL-12. PLUS borrowing limit.** NASFAA finds little evidence that the current system is not working regarding PLUS borrowing and, therefore, we would not place an annual limit on PLUS borrowing.
Section 428H(d) LOAN LIMITS.-- (1) IN GENERAL.--Except as provided in paragraphs (2) and (3), the annual and aggregate limits for loans under this section shall be the same as those established under section 428(b)(1), less any amount received by such student pursuant to the subsidized loan program established under section 428.	Section 428H(d) is amended to read as follows: (d) LOAN LIMITS.--(1) IN GENERAL.--Except as provided in paragraphs (2) and (3), the annual and aggregate limits for loans under this section shall be the same as those established under section 428(b)(1), less any amount received by such student pursuant to the subsidized loan program established under section 428.	**GL-13. Unsubsidized loan program.**

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Grant/Loan Imbalance

Current Law	Suggested Amendment	Rationale
(2) ANNUAL LIMITS FOR INDEPENDENT, GRADUATE, AND PROFESSIONAL STUDENTS.--The maximum annual amount of loans under this section an independent student (or a student whose parents are unable to borrow under section 428B or the Federal Direct PLUS Loan Program) may borrow in any academic year or its equivalent or in any period of 7 consecutive months, whichever is longer, shall be the amount determined under paragraph (1), plus--	(2) ANNUAL LIMITS FOR INDEPENDENT, GRADUATE, AND PROFESSIONAL STUDENTS.--The maximum annual amount of loans under this section an independent student (or a student whose parents are unable to borrow under section 428B or the Federal Direct PLUS Loan Program) may borrow in any academic year or its equivalent or in any period of 7 consecutive months, whichever is longer, shall be the amount determined under paragraph (1), plus--	**GL-13a. Student borrowing.** NASFAA recommends continuing to allow access to unsubsidized loans for those dependent students whose parents are unable to borrow from the PLUS loan program. Situations arise where parents are unable to borrow and NASFAA believes access to a unsubsidized loan is preferable than denying the student a postsecondary education.
(A) in the case of such a student attending an eligible institution who has not completed such student's first 2 years of undergraduate study-- (i) $4,000, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 481);	**(A) in the case of an student at an eligible institution in a program of undergraduate education--** **(i) $5,500, or**	**GL-13b. Unsubsidized loan annual limit.** Working from NASFAA's principle that loan amounts should be equal, we recommend capping additional undergraduate unsubsidized loan availability at $5,500 per year.
(ii) $2,500, if such student is enrolled in a program whose length is less than one academic year, but at least 2/3 of such an academic year; and (iii) $1,500, if such student is enrolled in a program whose length is less than 2/3, but at least 1/3, of such an academic year; (B) in the case of a student at an eligible institution who has successfully completed such first and second years but has not successfully completed the remainder of a	**(ii) if such student is enrolled in a program of undergraduate education which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in division (i) as measured in semester, trimester, quarter, or clock hours bears to one academic year;** ~~**(A) in the case of such a student attending an eligible institution who has not completed**~~	**GL-13c. Application of loan proration. See GL-6 rationale.**

Current Law	Suggested Amendment	Rationale
program of undergraduate education--	~~such student's first 2 years of undergraduate study--~~	
(i) $5,000; or	~~(i) $4,000, if such student is enrolled in a program whose length is at least one academic year in length (as determined under section 481);~~ ~~(ii) $2,500, if such student is enrolled in a program whose length is less than one academic year, but at least 2/3 of such an academic year; and~~ ~~(iii) $1,500, if such student is enrolled in a program whose length is less than 2/3, but at least 1/3, of such an academic year;~~	
	~~(B) in the case of a student at an eligible institution who has successfully completed such first and second years but has not successfully completed the remainder of a program of undergraduate education--~~	
(ii) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year;	~~(i) $5,000; or~~ ~~(ii) if such student is enrolled in a program of undergraduate education, the remainder of which is less than one academic year, the maximum annual loan amount that such student may receive may not exceed the amount that bears the same ratio to the amount specified in subclause (I) as such remainder measured in semester, trimester, quarter, or clock hours bears to one academic year;~~	

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National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Grant/Loan Imbalance

Current Law	Suggested Amendment	Rationale
(C) in the case of such a student who is a graduate or professional student attending an eligible institution, $10,000.	**~~(C)~~ (B) in the case of such a student who is a graduate or professional student attending an eligible institution, ~~$10,000~~ shall be limited to cost of attendance minus other aid.**	**GL-13d. Graduate/Professional annual loan limits. See See GL-7 rationale.**
	(C) the amount under division (i) subparagraph (A) of shall be-- **(i) $5,800 for academic year 2000-2001, and** **(ii) $6,100 for academic year 2002-2003.**	**GL-13e. Increases in loan limits. See See GL-8 rationale.**
(3) AGGREGATE LIMITS FOR INDEPENDENT, GRADUATE, AND PROFESSIONAL STUDENTS.--The maximum aggregate amount of loans under this section a student described in paragraph (2) may borrow shall be the amount described in paragraph (1), adjusted to reflect the increased annual limits described in paragraph (2), as prescribed by the Secretary by regulation.	(3) AGGREGATE LIMITS FOR INDEPENDENT, GRADUATE, AND PROFESSIONAL STUDENTS.--The maximum aggregate amount of loans under this section a student described in paragraph (2) may borrow shall be the amount described in paragraph (1), adjusted to reflect the increased annual limits described in paragraph (2), as prescribed by the Secretary by regulation.	
No comparable legislative provision.	Section 435 is amended by adding a new subsection that reads as follows: **(q) Loan proration under this title shall apply only to a program of study that is less than one academic year in length. No eligible postsecondary institution shall be required to prorate loans under this title if its program of study is greater than one academic year in length.**	**GL-14. Application of loan proration. See GL-6 rationale.**

Level-Playing Field Loan Issues

No comparable legislative provision.

Amend the HEA at the appropriate point to include a new section unnumbered that reads as follows:
"Section 4xx (a)The Secretary shall provide for a borrower under parts B and D an interest rate reduction of .25 percent for repayment of their obligation by direct deposit notwithstanding any other section of this Act.

"(b) The Secretary shall provide for a borrower under parts B and D an interest rate reduction of 2.0 percent for repayment of their obligation consistently and on-time after 48 payments notwithstanding any other section of this Act."

"(c) Subsections (a) and (b) shall be implemented one year after the date of enactment of this Act."

LP-1. Incentives for loan repayment. NASFAA recommends borrowers should benefit with an interest rate reduction from either efficiencies of repayment or for on-time and consistent repayment of their loans. NASFAA believes this would result in higher loan repayment rates and that borrowers should be encouraged and benefit from appropriate and responsible behavior. Direct deposit could be automatic from a borrower's personal checking account or accomplished by their employer from the borrower's compensation or by other Electronic Funds Transfer (EFT) methods. Borrowers taking advantage of this direct deposit option under NASFAA's proposal would receive an interest rate reduction of .25 percent.

Four-year consistent loan repayment may be accomplished using the suggested direct deposit method or by the normal means of loan repayment selected by borrowers, e.g. writing and mailing a check. These borrowers would receive an interest rate reduction of 2.0 percent.

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Level Playing Field Loan Issue

FFELP/DL Use of Incentives Detailed Discussion of Recommendation and Differing Points of View

Analysis

Conflicting Sections of the Law Provisions of the Higher Education Act are contradictory. A provision of law governing the Direct Loan Program, Section 455(a)(1), requires that "Unless otherwise specified in this part, loans made to borrowers under this part shall have the same terms, conditions, and benefits, and be available in the same amounts, as loans made to borrowers under sections 428, 428B and 428H of this title." While this is straightforward language mandating, unless otherwise specified, that Direct Loan borrowers have the same terms, conditions, and benefits as FFELP borrowers, contradictory law is evident in other HEA provisions. For example, Section 438(c)(2) authorizes lenders to charge an origination fee "not to exceed 3.0 percent of the principal amount of the loan..." Section 428(b)(1)(H) allows guaranty agencies to collect "a single insurance premium equal to not more than 1.0 percent of the principal amount of the loan..." A further example, Section 427A(j) permits a lender to charge a borrower an "interest rate less than the rate which is applicable under this part." The meaning of Section 455(a)(1) is contradicted by Sections 438(c)(2), 428(b)(1)(H), and 427A(j) which allow lenders, or other parties to the lending process, to offer benefits to FFELP borrowers that are not available to Direct Loan borrowers since such Direct Loan borrower benefits are not authorized by statute.

Some Direct Loan Advantages Many observe the contradictions in the HEA have led to variations among the terms, conditions, and benefits between the two loan delivery programs. On one side of the equation, many point out that Direct Loan borrowers may use the FAFSA as a single application for federal assistance, including applying for Stafford loans which is an advantage over FFELP borrowers. Others suggest, the availability of an income contingent repayment option for Direct Loan is another advantage not offered to FFELP borrowers. Others note that while FFELP loans may be consolidated into Direct Loan Consolidation Loans, the opposite activity is precluded. NASFAA has addressed many of these concerns in its reauthorization recommendations.

Some FFELP Advantages On the other side of the equation, many suggest the FFEL Program has advantages over the Direct Loan Program. Such FFELP advantages include the authority to charge borrowers a lower origination or insurance premium fees or offer reduced interest rates. HEA Sections 438(c)(2), 428(b)(1)(H), and 427A(j) allow such activities. While NASFAA is not aware of any FFELP borrower's origination fees being reduced by a lender, last year the House of Representatives passed a bill, which did not become law, authorizing lenders, if they wished to do so, to reduce the origination fee for borrowers of unsubsidized loans. Many guaranty agencies' insurance premiums are set less than the one percent authorized. The Vermont Student Assistance Corporation (VSAC) operates a program named *Vermont Value*. This program provides annual interest rebates equivalent to one percent of the principal balance each year the loan is in repayment. Further, the *Vermont Value* program provides that all new PLUS and Unsubsidized loans are interest free through June 30, 1997. Sallie Mae offers its *Great Rewards* program which during repayment reduces a borrowers interest rate by .25 percent for those utilizing direct deposit for loan repayment and reduces by 2 percent a borrower's interest rate after four years of consistent and on-time monthly loan repayment.

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Level Playing Field Loan Issue

NASFAA Comprehensive Level Playing Field Recommendations

In its reauthorization proposals NASFAA recommends several changes in both the part B and D loan programs that we think would benefit students and would level the playing field between the two program to ensure fairness. Those recommendations include the following:

1) Prohibit any limit or cap on institutional participation in Part B or D programs.
2) Allow schools the freedom to choose which federal loan program to participate in.
3) Prohibit conscription into either program.
4) Prohibit lenders from not lending to particular schools or students and prohibit lenders from requiring procedures, administrative measures, or fees based on the type of school.
5) Permit the FAFSA to be used for FFELP application.
6) Allow Direct Loans to be consolidated into FFELP consolidation loans, but without the special lender subsidy for the Direct Loan portion.
7) Require FFELP consolidation loans be on the same terms as the Direct Loan Program, e.g. a variable interest rate capped at 8.25 percent.
8) Retain current ability of Direct Loan borrowers to change repayment plans and extend the same ability to FFELP borrowers.
9) Eliminate 1 percent guarantee fee paid by students in the Part B and D programs and provide by the federal government such lost payments for guaranty agencies.
10) Eliminate Part B and D origination fees.

Arguments To Prohibit Incentives

Précis The several conflicting provisions of the law need to be changed in both loan programs so that borrowers are treated equally. The law should be modified so that all borrowers' loans have the same terms, conditions, and benefits regardless of whether a school participates in the DL or FFEL Program. Further, competition between both programs should be on services and servicing provided, not on terms, conditions, and benefits offered to borrowers.

Congressional Intent If Congress intended that DL and FFEL Program borrowers should have the same terms, conditions, and benefits as shown in Section 455(a)(1), DL/FFEL Program borrowers should find no variation in their loan notwithstanding that the delivery systems are different, e.g. federal government vs. private lender. Each federal loan should have standard fees assessed; have identical interest rates charged; and, have equivalent repayment terms available to borrowers. The inducements currently being offered by guaranty agencies and secondary markets show that the cost of a federal loan can be reduced for all borrowers. Indeed, the Administration's budget proposal eliminates the insurance premium and reduces the origination fee for borrowers. The cost of a federally subsidized loan should not vary depending upon in what state the student resides or to which secondary market the loan is sold. The law needs to be changed to ensure borrowers are treated equally.

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Level Playing Field Loan Issue

Level Playing Field Even if Congress approves modifications to permit the FAFSA to be used as the FFELP application, permit FFELP income contingent repayment options, and allow Direct Loans to be consolidated into FFELP Consolidation loans this will not produce a level playing field for the two programs. In order to accomplish this goal, the Congress must address the ability of FFELP lending participants to provide their borrowers with lower origination and insurance premiums or reduced interest rates or interest rate rebates. While the Congress has authorized the opportunity to offer such enhanced loan terms to borrowers in the private sector, the Direct Loan Program currently do not allow enhanced loan benefits. A level playing field in this matter can be achieved either by providing all borrowers with equal loan terms, conditions, and benefits or by limiting the ability of both programs to offer enhanced loan terms, conditions, or benefits.

Consequences Permitting FFELP participants to give their borrowers lower fees and interest rates not available to DL borrowers, will place the Direct Loan Program at a severe competitive disadvantage with the FFEL Program. Schools should be able to choose whichever loan program provides the best service to students and the best servicing of loans, and not on what program offers the best loan terms. Some suggest that if the FFELP lending community can offer enhanced borrower benefits, then schools would not consider enrolling in the Direct Loan Program and current Direct Loan participants would be forced to leave that program by campus leaders who favor those enhanced borrower loan benefits in spite of enhanced delivery and servicing that may be offered by Direct Loans. Some Direct Loan advocates argue allowing the FFELP community to offer enhanced loan benefits is a strategy to curtail or eliminate Direct Loans and, some observe, once this happens such FFEL borrower loan benefits would be curtailed or eliminated. Already some Direct Loan schools report being pressured as a result of differential loan fees. Some argue the private sector free market should be allowed to operate to the benefit of students. Others point out the FFELP is not a private sector program, but a heavily subsidized federal entitlement program. As such, all eligible students, whether in FFELP or Direct Loans are entitled to the same terms and conditions and the opportunity for lower costs of borrowing.

Arguments to Permit Incentives

Précis The law purposefully is contradictory in several provisions. Those conflicting provisions do not need to be clarified since they favor FFELP student borrowers depending on circumstances in the FFELP marketplace. The law should not be modified so that all borrowers are treated equally regardless of whether such a school participates in the DL or FFEL Programs. Further, competition between both programs should be on all aspects inherent in the loan programs including services and servicing provided, as well as, on terms, conditions, and benefits offered to borrowers.

Congressional Intent The Congress intended that schools determine the fate of the FFEL and DL Programs by deciding which program best met the needs of its students and the postsecondary institution. Under this scenario, the federal government and the private sector would compete for the loan business of the higher education community. Each loan program would have inherent advantages and disadvantages and, over time, it was expected one loan delivery system or the other would prevail. The Direct Loan Program would have the advantage of cost effectiveness and

could expedite loan delivery. The FFEL Program would have advantages of free market competitiveness to develop alternative efficiencies allowing such lower costs to accrue to the benefit of its borrowers.

Opportunity To Correct Discrepancies In abandoning the provision in the Higher Education Amendments of 1992 providing for a Direct Loan Pilot Project, in 1993 the Congress rewrote portions of the Act providing for a transition from the FFEL Program to the DL Program. At that time, the Congress chose not to modify Sections 438(c)(2), 428(b)(1)(H), and 427A(j) which authorize, but do not mandate, such reduced loan fees and interest rates. Therefore, the Congress intended that each program compete based on its advantages or disadvantages. Among the FFEL Program's advantages was the opportunity for the FFELP lending community to offer its borrowers enhanced benefits if it determined that was a correct policy decision. Consequently, while the HEA has contradictory statutory language, the Congress determined that this was appropriate to test each program's strengths and weaknesses so that at a later point a final decision might be considered as to the fate of the FFEL and DL Programs.

Student Benefits Since the Congress decided to maintain conflicting law governing the operations and terms of each program, the competition between the programs should continue notwithstanding contradictory law. That benefits accrue to borrowers in one program (FFEL) does not mean that similar benefits should not be provided to the other program's (DL) borrowers. Conversely, it is not just to change the law to deny real or potential loan benefits to some borrowers in one program (FFEL) because the other program's (DL) borrowers do not enjoy similar loan benefits. The programs are different and those differences need to be respected.

Free Market Question While it is a legitimate exercise to determine the extent of loan subsidies granted FFEL Program lenders, guaranty agencies, and secondary markets, once such a decision is reached, that lending community should have the opportunity to determine how best to meet its responsibilities in providing loan services to schools and/or loan benefits to students. Consequently, if a guaranty agency chooses to forgo use of an insurance premium, totally or partially, or if a lender wishes to offer a lower origination fee (or no fee) or if a secondary market decides to provide reduced interest rates or rebates, then it should be free to do so for its borrowers. If the federal government wishes to do the same for Direct Loan borrowers, then it should do so by gaining Congressional approval for such equivalent loan terms, conditions, and benefits. But, such enhanced student borrower FFELP benefits should not arbitrarily be proscribed.

Concluding Remarks

NASFAA urges the Congress to examine and resolve the conflicting provisions of the HEA which do not provide a level playing field between the FFEL and Direct Loan Programs in the area of loan incentives. NASFAA is aware that this may be a contentious issue, but it does go to the heart of the matter concerning the equity and policy considerations between the two loan programs. NASFAA urges the Congress to study and make a conscious decision as to what policy outcome is desirable between provisions of the HEA that are in conflict.

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Level Playing Field Loan Issues

Current Law	Suggested Amendment	Rationale
Section 421(a)(2) DISCRIMINATION BY CREDITORS PROHIBITED.--No agency, organization, institution, bank, credit union, corporation, or other lender who regularly extends, renews, or continues credit or provides insurance under this part shall exclude from receipt or deny the benefits of, or discriminate against any borrower or applicant in obtaining, such credit or insurance on the basis of race, national origin, religion, sex, marital status, age, or handicapped status.	Section 421(a)(2) is amended to read as follows: "(2) DISCRIMINATION BY CREDITORS PROHIBITED.--**(A)** No agency, organization, institution, bank, credit union, corporation, or other lender who regularly extends, renews, or continues credit or provides insurance under this part shall exclude from receipt or deny the benefits of, or discriminate against any borrower or applicant in obtaining, such credit or insurance on the basis of race, national origin, religion, sex, marital status, age, or handicapped status. **(B) No agency, organization, institution, bank, credit union, corporation, or other lender who regularly extends, renews, or continues credit or provides insurance under this part shall exclude from receipt or deny the benefits of, or discriminate against any eligible postsecondary institution, including, but not limited to, discrimination by the type or control of such institution, for its eligible borrowers in obtaining, such credit or insurance. No agency, organization, institution, bank, credit union, corporation, or other lender who regularly extends, renews, or continues credit or provides insurance under this part shall develop, levy, or continue policies, procedures, fees, or requirements that discriminate between or among postsecondary institutions and their student**	**LP-2. Lender discrimination.** NASFAA believes that no lending participant in the FFEL Program should be allowed to discriminate among schools or students in lending or administrative practices (such as requiring different procedures, administrative measures, or fees based on the type of school or student body served). NASFAA believes if a lending institution wishes to participate in the Title IV loan programs, then it must lend to all eligible students attending all eligible postsecondary institutions. Acceptance of this recommendation would prevent the so-called "creaming" of low-risk borrowers and, finally, end what many see as discrimination in the FFEL Program.

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Level Playing Field Loan Issues

Current Law	Suggested Amendment	Rationale
	borrowers."	
Section 428(b)(1)(H) provides for collection of a single insurance premium equal to not more than 1.0 percent of the principal amount of the loan, by deduction proportionately from each installment payment of the proceeds of the loan to the borrower, and insures that the proceeds of the premium will not be used for incentive payments to lenders;	Section 428(b)(1)(H) is amended to read as follows: "(H)**(i)** provides for collection of a single insurance premium equal to not more than 1.0 percent of the principal amount of the loan, by deduction proportionately from each installment payment of the proceeds of the loan to the borrower, and insures that the proceeds of the premium will not be used for incentive payments to lenders**;, and** **(ii) provides that no insurance premium shall be charged to the borrower of any loan made under section 428 or 428B on or after July 1, 1998. The Secretary shall make any necessary reimbursements for the loss of revenue to guaranty agencies on or after that date."**	**LP-3a. Insurance premium and federal financing.** NASFAA recommends the elimination of the insurance premium in order to benefit students in both the FFEL and Direct Loan Programs. We believe the purpose of this fee is the responsibility of the federal government and not students. NASFAA recommends eliminating this fee paid by students and that the federal government provide guaranty agencies such necessary payments lost by the elimination of borrower payment of the fee.
Section 428H(f) ORIGINATION FEE.-- (1) AMOUNT OF ORIGINATION FEE.--The lender shall charge the borrower an origination fee in the amount of 3.0 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of the loan prior to payment to the borrower. (2) RELATION TO APPLICABLE INTEREST.--Such origination fee shall not be	Section 428H(f) is amended to read as follows: "(f)ORIGINATION FEE.-- (1) AMOUNT OF ORIGINATION FEE.--**For loans made under this title made before July 1, 1998, ~~The~~ the** lender shall charge the borrower an origination fee in the amount of 3.0 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of the loan prior to payment to the borrower. (2) RELATION TO APPLICABLE INTEREST.--Such origination fee shall not be	**LP-3b. Origination fee.** NASFAA recommends eliminating the borrower's origination fee in both the Direct Loan Program and the FFEL Program. NASFAA firmly suggests that the origination fee was intended to be temporary when it was imposed on student borrowers in the early 1980s, and it has continued far too long to the detriment of student borrowers. While a federal budget convenience, NASFAA suggests the origination fee and insurance premium in both programs is a major handicap for student

Current Law	Suggested Amendment	Rationale
taken into account for purposes of determining compliance with section 427A.	taken into account for purposes of determining compliance with section 427A.	borrowers denying them all the loan funds they qualify for and are necessary to finance their education. As students graduate with increasingly higher student loan debt, NASFAA believes that elimination of the origination fee for all federal student loans is in the best interests of students.
(3) DISCLOSURE REQUIRED.--The lender shall disclose to the borrower the amount and method of calculating the origination fee.	(3) DISCLOSURE REQUIRED.--**For loans made under this title made before July 1, 1998, ~~The~~ the** lender shall disclose to the borrower the amount and method of calculating the origination fee.	
(4) USE OF ORIGINATION FEE TO OFFSET DEFAULT COSTS.--Each lender making loans under this section shall transmit all origination fees authorized to be collected from borrowers to the Secretary, who shall use such fees to pay the Federal costs of default claims paid for loans under this section and to reduce the cost of special allowances paid thereon, if any, under section 438(b).	(4) USE OF ORIGINATION FEE TO OFFSET DEFAULT COSTS.--**For loans made under this title made before July 1, 1998, ~~Each~~ each** lender making loans under this section shall transmit all origination fees authorized to be collected from borrowers to the Secretary, who shall use such fees to pay the Federal costs of default claims paid for loans under this section and to reduce the cost of special allowances paid thereon, if any, under section 438(b). **(5) No origination fees as authorized under this subsection shall be charged for loans made on or after July 1, 1998.**	
(5) REVIEW OF ORIGINATION FEE AND INSURANCE PREMIUM.--In fiscal year 1995, the Secretary is directed to analyze the risk rates of borrowers who have participated in this program in the 2 previous fiscal years. If the Secretary finds, that as a result of this review, the projected defaults and special allowance costs of the unsubsidized program do not exceed the combined origination fee	**~~(5) REVIEW OF ORIGINATION FEE AND INSURANCE PREMIUM.--In fiscal year 1995, the Secretary is directed to analyze the risk rates of borrowers who have participated in this program in the 2 previous fiscal years. If the Secretary finds, that as a result of this review, the projected defaults and special allowance costs of the unsubsidized program do not exceed the~~**	

Current Law	Suggested Amendment	Rationale
under this subsection and the insurance premium under subsection (h), the Secretary is directed to lower the origination fee and insurance premium accordingly.	~~combined origination fee under this subsection and the insurance premium under subsection (h), the Secretary is directed to lower the origination fee and insurance premium accordingly.~~"	
Section 428H(h) INSURANCE PREMIUM.--Each State or nonprofit private institution or organization having an agreement with the Secretary under section 428(b)(1) may charge a borrower under this section an insurance premium equal to not more than 1.0 percent of the principal amount of the loan, if such premium will not be used for incentive payments to lenders.	Section 428H(h) is amended to read as follows: "(h) INSURANCE PREMIUM.--**(1)** Each State or nonprofit private institution or organization having an agreement with the Secretary under section 428(b)(1) may charge a borrower ~~under this section~~ **of a loan made under this section before July 1, 1998** an insurance premium equal to not more than 1.0 percent of the principal amount of the loan, if such premium will not be used for incentive payments to lenders. **(2) No insurance premium may be charged to the borrower on any loan made under this section made on or after July 1, 1998. The Secretary shall make any necessary reimbursements for the loss of revenue to guaranty agencies on or after that date.**"	**LP-3c.. Insurance premium and federal financing. See LP-3a rationale.**
Section 438(c) ORIGINATION FEES FROM STUDENTS.-- (1) DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.--Notwithstanding subsection (b), the total amount of interest and special	Section 438(c) is amended to read as follows: "(c) ORIGINATION FEES FROM STUDENTS.-- (1) DEDUCTION FROM INTEREST AND SPECIAL ALLOWANCE SUBSIDIES.--**For loans made under this title made before July 1, 1998, ~~Notwithstanding~~** notwithstanding	**LP-3d. Origination fee. See LP-3b rationale.**

Current Law	Suggested Amendment	Rationale
allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, to any holder shall be reduced by the Secretary by the amount which the lender is authorized to charge as an origination fee in accordance with paragraph (2) of this subsection. If the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, is less than the amount the lender was authorized to charge borrowers for origination fees in that quarter, the Secretary shall deduct the excess amount from the subsequent quarters' payments until the total amount has been deducted.	subsection (b), the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, to any holder shall be reduced by the Secretary by the amount which the lender is authorized to charge as an origination fee in accordance with paragraph (2) of this subsection. If the total amount of interest and special allowance payable under section 428(a)(3)(A) and subsection (b) of this section, respectively, is less than the amount the lender was authorized to charge borrowers for origination fees in that quarter, the Secretary shall deduct the excess amount from the subsequent quarters' payments until the total amount has been deducted.	
(2) AMOUNT OF ORIGINATION FEES.--Subject to paragraph (6) of this subsection, with respect to any loan (other than loans made under sections 428C and 439(o)) for which a completed note or other written evidence of the loan was sent or delivered to the borrower for signing on or after 10 days after the date of enactment of the Postsecondary Student Assistance Amendments of 1981, each eligible lender under this part is authorized to charge the borrower an origination fee in an amount not to exceed 3.0 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of	(2) AMOUNT OF ORIGINATION FEES.--**For loans made under this title made before July 1, 1998, ~~Subject~~ subject** to paragraph (6) of this subsection, with respect to any loan (other than loans made under sections 428C and 439(o)) for which a completed note or other written evidence of the loan was sent or delivered to the borrower for signing on or after 10 days after the date of enactment of the Postsecondary Student Assistance Amendments of 1981, each eligible lender under this part is authorized to charge the borrower an origination fee in an amount not to exceed 3.0 percent of the principal amount of the loan, to be deducted proportionately from	

Current Law	Suggested Amendment	Rationale
the loan prior to payment to the borrower.	each installment payment of the proceeds of the loan prior to payment to the borrower.	
(3) RELATION TO APPLICABLE INTEREST.--Such origination fee shall not be taken into account for purposes of determining compliance with section 427A.	(3) RELATION TO APPLICABLE INTEREST.--**For loans made under this title made before July 1, 1998, ~~Such~~ such** origination fee shall not be taken into account for purposes of determining compliance with section 427A.	
(4) DISCLOSURE REQUIRED.--The lender shall disclose to the borrower the amount and method of calculating the origination fee.	(4) DISCLOSURE REQUIRED.--**For loans made under this title made before July 1, 1998, ~~The~~ the** lender shall disclose to the borrower the amount and method of calculating the origination fee.	
(5) PROHIBITION ON DEPARTMENT COMPELLING ORIGINATION FEE COLLECTIONS BY LENDERS.--Nothing in this subsection shall be construed to permit the Secretary to require any lender that is making loans that are insured or guaranteed under this part, but for which no amount will be payable for interest under section 428(a)(3)(A) or for special allowances under subsection (b) of this section, to collect any origination fee or to submit the sums collected as origination fees to the United States. The Secretary shall, not later than January 1, 1987, return to any such lender any such sums collected before the enactment of this paragraph, together with interest thereon.	(5) PROHIBITION ON DEPARTMENT COMPELLING ORIGINATION FEE COLLECTIONS BY LENDERS.--**For loans made under this title made before July 1, 1998, ~~Nothing~~ nothing** in this subsection shall be construed to permit the Secretary to require any lender that is making loans that are insured or guaranteed under this part, but for which no amount will be payable for interest under section 428(a)(3)(A) or for special allowances under subsection (b) of this section, to collect any origination fee or to submit the sums collected as origination fees to the United States. The Secretary shall, not later than January 1, 1987, return to any such lender any such sums collected before the enactment of this paragraph, together with interest thereon.	
(6) SLS AND PLUS LOANS.--With respect	(6) SLS AND PLUS LOANS.--With respect	

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to any loans made under section 428A or 428B on or after October 1, 1992, each eligible lender under this part shall charge the borrower an origination fee of 3.0 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of the loan prior to payments to the borrower. (7) DISTRIBUTION OF ORIGINATION FEES.--All origination fees collected pursuant to this section on loans authorized under section 428A or 428B shall be paid to the Secretary by the lender and deposited in the fund authorized under section 431 of this part.	to any loans made under section 428A or 428B on or after October 1, 1992, **and on or before July 1, 1998,** each eligible lender under this part shall charge the borrower an origination fee of 3.0 percent of the principal amount of the loan, to be deducted proportionately from each installment payment of the proceeds of the loan prior to payments to the borrower. (7) DISTRIBUTION OF ORIGINATION FEES.--**For loans made under this title made before July 1, 1998, ~~All~~ all** origination fees collected pursuant to this section on loans authorized under section 428A or 428B shall be paid to the Secretary by the lender and deposited in the fund authorized under section 431 of this part. **(8) No origination fees as authorized under this subsection shall be charged for loans made on or after July 1, 1998.**"	
Section 455(c) LOAN FEE.--The Secretary shall charge the borrower of a loan made under this part an origination fee of 4.0 percent of the principal amount of loan.	Section 455(c) is amended to read as follows: "(c) LOAN FEE.--**(1) For loans made under this part before July 1, 1998, the ~~The~~** Secretary shall charge the borrower of a loan made under this part an origination fee of 4.0 percent of the principal amount of loan. **(2) For loans made under this part on or after July 1, 1998, the Secretary shall not charge the borrower an origination fee under this part.**"	**LP3e. Insurance premium and federal financing and Origination fee. See LP-3a and LP-3b rationale.**

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Section 455(d)(3) CHANGES IN SELECTIONS.--The borrower of a loan made under this part may change the borrower's selection of a repayment plan under paragraph (1), or the Secretary's selection of a plan for the borrower under paragraph (2), as the case may be, under such terms and conditions as may be established by the Secretary.	**Retain current law.**	**LP-4. Students' ability to change repayment plans.** NASFAA recommends retaining the current ability of students to change repayment plans under part D and that FFELP borrowers have the same ability to change repayment plans as do Direct Loan borrowers. Students should have the ability to annually change their repayment plans as they may under current law. NASFAA believes this flexibility is useful for an individual who develops cash flow problems or, conversely, whose personal economic situation has positively changed and needs a different loan repayment plan that better suits his or her needs.
No comparable legislative provision.	Section 428 is amended by adding the following new subsection that reads as follows: **"(o) --The borrower of a loan made under this part may change the borrower's selection of a repayment plan under this part, or the Secretary's selection of a plan for the borrower under this part, as the case may be, under such terms and conditions as may be established by the Secretary by regulation."**	
Section 428C(a)(4) DEFINITION OF ELIGIBLE STUDENT LOANS.--For the purpose of paragraph (1), the term ``eligible student loans'' means loans-- (A) made, insured, or guaranteed under this part, including loans on which the borrower has defaulted (but has made arrangements to repay the obligation on the defaulted loans satisfactory to the Secretary or guaranty agency, whichever insured the loans);	Section 428C(a)(4) is amended to read as follows: "(4) DEFINITION OF ELIGIBLE STUDENT LOANS.--For the purpose of paragraph (1), the term ``eligible student loans'' means loans-- (A) made, insured, or guaranteed under this part, including loans on which the borrower has defaulted (but has made arrangements to repay the obligation on the defaulted loans satisfactory to the Secretary or guaranty agency, whichever insured the loans);	**LP-5. Consolidation FFEL and Direct Loan Programs.** NASFAA recommends allowing Direct Loans to be consolidated into FFELP consolidation loans, but without the special lender subsidy for the Direct Loan portion. However, NASFAA modifies Section 428C(f) for such loans eliminating the requirement each holder pay a rebate fee calculated on an annual basis equal to 1.05 percent of the principal plus accrued interest on such loans. Further,

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	(B) made under part B or this title; except (i) no special allowance under section 438 shall be paid with respect to the portion of any part D loan consolidated under this section, and (ii) the interest payment rebate fee required under paragraph (f) is waived.	NASFAA would require FFELP consolidation loans be on the same terms as the Direct Loan Program, e.g. a variable interest rate capped at 8.25 percent and we make the Direct Loan Program interest rate change statutory rather than regulatory. NASFAA makes these recommendations as part of a level playing field initiative to provide the same terms and conditions for both the FFEL and Direct Loan Programs. While NASFAA recommends elimination of the special lender subsidy for such loans, we would also eliminate the 1.05 percent rebate fee. NASFAA suggests this is an equitable trade-off for holders of Direct Loans consolidated into FFELP consolidation loans. Direct Loans carry no special allowance payment and should not carry any special allowance once consolidated into a FFELP consolidation loan. Conversely, Consolidation Direct Loans carry no rebate fee and, therefore, a Direct Loan consolidated into a FFEL Program loan also should not require the payment of a rebate fee.
(B) made under part E of this title; (C) made under subpart II of part A of title VII of the Public Health Service Act; or (D) made under subpart II of part B of title VIII of the Public Health Service Act.	~~(B)~~ **(C)** made under part E of this title; ~~(C)~~ **(D)** made under subpart II of part A of title VII of the Public Health Service Act; or ~~(D)~~ **(E)** made under subpart II of part B of title VIII of the Public Health Service Act."	
Section 428C(c) PAYMENT OF PRINCIPAL AND INTEREST.--	Section 428C(c) is amended to read as follows: "(c) PAYMENT OF PRINCIPAL AND INTEREST.--	
1) INTEREST RATES.--(A) Consolidation loans made under this section shall bear interest at rates determined under subparagraph (B) or (C). For the purposes of payment of special allowances under section 438(b)(2), the interest rate required by this subsection is the applicable interest rate with respect to a consolidation loan. (B) A consolidation loan made before July 1, 1994, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the greater of-- (i) the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent; or	(1) INTEREST RATES.--(A) Consolidation loans made under this section shall bear interest at rates determined under subparagraph ~~(B) or (C)~~ **(B), (C) or (D)**. For the purposes of payment of special allowances under section 438(b)(2), the interest rate required by this subsection is the applicable interest rate with respect to a consolidation loan. (B) A consolidation loan made before July 1, 1994, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the greater of-- (i) the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent; or	

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(ii) 9 percent. (C) A consolidation loan made on or after July 1, 1994, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent.	(ii) 9 percent. (C) A consolidation loan made on or after July 1, 1994, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest whole percent. **(D) A consolidation loan made on or after July 1, 1998, shall bear interest at an annual rate on the unpaid principal balance of the loan that is equal to the weighted average of the interest rates on the loans consolidated, not to exceed 8.25 percent."**	
Section 455(g) FEDERAL DIRECT CONSOLIDATION LOANS.--A borrower of a loan made under this part may consolidate such loan with the loans described in section 428C(a)(4) only under such terms and conditions as the Secretary shall establish pursuant to section 457(a)(1) or regulations promulgated under this part. Loans made under this subsection shall be known as ``Federal Direct Consolidation Loans''.	Section 455 is amended to read as follows: "(g) FEDERAL DIRECT CONSOLIDATION LOANS.--A borrower of a loan made under this part may consolidate such loan with the loans described in section 428C(a)(4) only under such terms and conditions as the Secretary shall establish pursuant to section 457(a)(1) or regulations promulgated under this part**, except such interest rate shall be capped at 8.25 percent**. Loans made under this subsection shall be known as ``Federal Direct Consolidation Loans''."	
	Strike "428C" in first sentence of 427A(f)(1).	

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Section 453 SELECTION OF INSTITUTIONS FOR PARTICIPATION AND ORIGINATION. (a) PHASE-IN OF PROGRAM.-- (1) GENERAL AUTHORITY...	Section 453 is amended to read as follows: "SELECTION OF INSTITUTIONS FOR PARTICIPATION AND ORIGINATION. (a) ~~PHASE-IN OF PROGRAM.--(1)~~ GENERAL AUTHORITY...	**LP-6. Participation in William D. Ford Direct Loan Program.** NASFAA makes the following recommendations regarding participation in the FFEL and Direct Loan Programs. 1) Prohibit any limit or cap on institutional participation in Part B or D program. 2) Allow schools the freedom to choose which federal loan program to participate in. 3) Prohibit conscription into either program. 4) Prohibit student authority to select either a FFEL or Direct Loan.
(2) TRANSITION PROVISIONS.--In order to ensure an expeditious but orderly transition from the loan programs under part B of this title to the direct student loan program under this part, the Secretary shall, in the exercise of the Secretary's discretion, determine the number of institutions with which the Secretary shall enter into agreements under subsections (a) and (b) of section 454 for any academic year, except that the Secretary shall exercise such discretion so as to achieve the following goals:	~~(2) TRANSITION PROVISIONS.--In order to ensure an expeditious but orderly transition from the loan programs under part B of this title to the direct student loan program under this part, the Secretary shall, in the exercise of the Secretary's discretion, determine the number of institutions with which the Secretary shall enter into agreements under subsections (a) and (b) of section 454 for any academic year, except that the Secretary shall exercise such discretion so as to achieve the following goals:~~	NASFAA recommends maximum freedom in the choice of institutional participation in either the Part B or Part D loan programs. NASFAA opposes efforts to limit or cap participation in either loan program since schools should be able to choose whichever loan program best meets the needs of its students and the institution. As an analogous principle, NASFAA recommends clarifying the law so that schools cannot be drafted by any means to participate in either loan program or be arbitrarily terminated from participation in one program or another without cause.
(A) for academic year 1994-1995, loans made under this part shall represent 5 percent of the new student loan volume for such year;	~~(A) for academic year 1994-1995, loans made under this part shall represent 5 percent of the new student loan volume for such year;~~	
(B) for academic year 1995-1996, loans made under this part shall represent 40 percent of the new student loan volume for such year;	~~(B) for academic year 1995-1996, loans made under this part shall represent 40 percent of the new student loan volume for such year;~~	
(C) for academic years 1996-1997 and 1997-1998, loans made under this part shall represent 50 percent of the new student loan volume for such years; and	~~(C) for academic years 1996-1997 and 1997-1998, loans made under this part shall represent 50 percent of the new student loan volume for such years; and~~	Finally, NASFAA opposes legislative efforts which would allow student borrowers to select whichever loan program they may wish. Allowing students at a FFEL Program school

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(D) for the academic year that begins in fiscal year 1998, loans made under this part shall represent 60 percent of the new student loan volume for such year. (3) EXCEPTION.--The Secretary may exceed the percentage goals described in subparagraphs (C) or (D) of paragraph (2) if the Secretary determines that a higher percentage is warranted by the number of institutions of higher education that desire to participate in the program under this part and that meet the eligibility requirements for such participation. (4) NEW STUDENT LOAN VOLUME.--For the purpose of this subsection, the term ``new student loan volume'' means the estimated sum of all loans (other than consolidation loans) that will be made, insured or guaranteed under this part and part B in the year for which the determination is made. The Secretary shall base the estimate described in the preceding sentence on the most recent program data available.	~~(D) for the academic year that begins in fiscal year 1998, loans made under this part shall represent 60 percent of the new student loan volume for such year.~~ ~~(3) EXCEPTION.--The Secretary may exceed the percentage goals described in subparagraphs (C) or (D) of paragraph (2) if the Secretary determines that a higher percentage is warranted by the number of institutions of higher education that desire to participate in the program under this part and that meet the eligibility requirements for such participation.~~ ~~(4) NEW STUDENT LOAN VOLUME.--For the purpose of this subsection, the term ``new student loan volume'' means the estimated sum of all loans (other than consolidation loans) that will be made, insured or guaranteed under this part and part B in the year for which the determination is made. The Secretary shall base the estimate described in the preceding sentence on the most recent program data available.~~	to select a Direct Loan (or vice versa) would result in severe administrative complications, errors, and costs as schools try to administer two loan programs. However, if another NASFAA recommendation (See LP-5.) is approved, then student borrowers could consolidate their loans into either program.
(b) SELECTION CRITERIA.-- (1) APPLICATION...	(b) SELECTION CRITERIA.-- (1) APPLICATION...	
(2) SELECTION PROCEDURE.--The Secretary shall select institutions for participation in the direct student loan program under this part, and shall enter into agreements	(2) SELECTION PROCEDURE.--The Secretary shall select institutions for participation in the direct student loan program under this part, and shall enter into agreements	

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with such institutions under section 454(a), from among those institutions that submit the applications described in paragraph (1), and meet such other eligibility requirements as the Secretary shall prescribe, by, to the extent possible-- (A)(i) categorizing such institutions according to anticipated loan volume, length of academic program, control of the institution, highest degree offered, size of student enrollment, geographic location, annual loan volume, and default experience; and (ii) beginning in academic year 1995-1996 selecting institutions that are reasonably representative of each of the categories described pursuant to clause (i); and (B) if the Secretary determines it necessary in order to carry out the purposes of subparagraph (A) and attain such reasonable representation (as required by subparagraph (A)), selecting additional institutions.	with such institutions under section 454(a), from among those institutions that submit the applications described in paragraph (1), and meet such other eligibility requirements as the Secretary shall prescribe.~~, by, to the extent possible--~~ ~~(A)(i) categorizing such institutions according to anticipated loan volume, length of academic program, control of the institution, highest degree offered, size of student enrollment, geographic location, annual loan volume, and default experience; and~~ ~~(ii) beginning in academic year 1995-1996 selecting institutions that are reasonably representative of each of the categories described pursuant to clause (i); and~~ ~~(B) if the Secretary determines it necessary in order to carry out the purposes of subparagraph (A) and attain such reasonable representation (as required by subparagraph (A)), selecting additional institutions.~~ **(3)(A) The Secretary shall not have the authority to** **(i) select for participation under this part postsecondary institutions that have not applied or have withdrawn their application to participate under this part.** **(ii) conscript any institution to participate in either the program under Part B or the**	

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	program under this part. **(B) Eligible postsecondary institutions shall have the authority to select to participate, in whole or in part, in either the program under part B or part D.** **(C) Eligible postsecondary institutions shall have the authority to select for their eligible students their participation in the program under part B or part D.**	
(c) SELECTION CRITERIA FOR ORIGINATION.-- (1) IN GENERAL.--The Secretary may enter into a supplemental agreement with an institution (or a consortium of such institutions) that-- (A) has an agreement under subsection 454(a); (B) desires to originate loans under this part; and (C) meets the criteria described in paragraph (2).	(c) SELECTION CRITERIA FOR ORIGINATION.-- (1) IN GENERAL.--The Secretary may enter into a supplemental agreement with an institution (or a consortium of such institutions) that-- (A) has an agreement under subsection 454(a); (B) desires to originate loans under this part; and (C) meets the criteria described in paragraph (2).	
(2) TRANSITION SELECTION CRITERIA.--For academic year 1994-1995, the Secretary may approve an institution to originate loans only if such institution-- (A) made loans under part E of this title in academic year 1993-1994 and did not exceed the applicable maximum default rate under section 462(g) for the most recent fiscal year for which data are available; (B) is not on the reimbursement system of	(2) ~~TRANSITION~~ SELECTION CRITERIA.--~~For academic year 1994-1995, the~~ **The** Secretary may approve an institution to originate loans only if such institution-- ~~(A) made loans under part E of this title in academic year 1993-1994 and did not exceed the applicable maximum default rate under section 462(g) for the most recent fiscal year for which data are available;~~ ~~(B)~~ **(A)** is not on the reimbursement system of	

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payment for any of the programs under subpart 1 or 3 of part A, part C, or part E of this title;	payment for any of the programs under subpart 1 or 3 of part A, part C, or part E of this title;	
(C) is not overdue on program or financial reports or audits required under this title;	~~(C)~~ **(B)** is not overdue on program or financial reports or audits required under this title;	
(D) is not subject to an emergency action, or a limitation, suspension, or termination under section 428(b)(1)(T), 432(h), or 487(c);	~~(D)~~ **(C)** is not subject to an emergency action, or a limitation, suspension, or termination under section 428(b)(1)(T), 432(h), or 487(c);	
(E) in the opinion of the Secretary, has not had significant deficiencies identified by a State postsecondary review entity under subpart 1 of part H of this title;	~~(E) in the opinion of the Secretary, has not had significant deficiencies identified by a State postsecondary review entity under subpart 1 of part H of this title;~~	
(F) in the opinion of the Secretary, has not had severe performance deficiencies for any of the programs under this title, including such deficiencies demonstrated by audits or program reviews submitted or conducted during the 5 calendar years immediately preceding the date of application;	~~(F)~~ **(D)** in the opinion of the Secretary, has not had severe performance deficiencies for any of the programs under this title, including such deficiencies demonstrated by audits or program reviews submitted or conducted during the 5 calendar years immediately preceding the date of application;	
(G) provides an assurance that such institution has no delinquent outstanding debts to the Federal Government, unless such debts are being repaid under or in accordance with a repayment arrangement satisfactory to the Federal Government, or the Secretary in the Secretary's discretion determines that the existence or amount of such debts has not been finally determined by the cognizant Federal agency; and	~~(G)~~ **(E)** provides an assurance that such institution has no delinquent outstanding debts to the Federal Government, unless such debts are being repaid under or in accordance with a repayment arrangement satisfactory to the Federal Government, or the Secretary in the Secretary's discretion determines that the existence or amount of such debts has not been finally determined by the cognizant Federal agency; and	
(H) meets such other criteria as the Secretary may establish to protect the financial interest of	~~(H)~~ **(F)** meets such other criteria as the Secretary may establish to protect the financial	

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the United States and to promote the purposes of this part. (3) REGULATIONS GOVERNING APPROVAL AFTER TRANSITION.--For academic year 1995-1996 and subsequent academic years, the Secretary shall promulgate and publish in the Federal Register regulations governing the approval of institutions to originate loans under this part in accordance with section 457(a)(2). (d) ELIGIBLE INSTITUTIONS.--The Secretary may not select an institution of higher education for participation under this section unless such institution is an eligible institution under section 435(a). (e) CONSORTIA.--Subject to such requirements as the Secretary may prescribe, eligible institutions of higher education (as determined under subsection (d)) with agreements under section 454(a) may apply to the Secretary as consortia to originate loans under this part for students in attendance at such institutions. Each such institution shall be required to meet the requirements of subsection (c) with respect to loan origination.	interest of the United States and to promote the purposes of this part. (3) REGULATIONS GOVERNING APPROVAL ~~AFTER TRANSITION~~.--For academic year 1995-1996 and subsequent academic years, the Secretary shall promulgate and publish in the Federal Register regulations governing the approval of institutions to originate loans under this part in accordance with section 457(a)(2). (d) ELIGIBLE INSTITUTIONS.--The Secretary may not select an institution of higher education for participation under this section unless such institution is an eligible institution under section 435(a). (e) CONSORTIA.-- Subject to such requirements as the Secretary may prescribe, eligible institutions of higher education (as determined under subsection (d)) with agreements under section 454(a) may apply to the Secretary as consortia to originate loans under this part for students in attendance at such institutions. Each such institution shall be required to meet the requirements of subsection (c) with respect to loan origination." **Conforming amendments where ever it appears in this title, Strike references to transition to Direct Loans**	

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Current Law	Suggested Amendment	Rationale
Section 483 FORMS AND REGULATIONS. (a) COMMON FINANCIAL AID FORM AND PROCESSING.-- (1) SINGLE FORM REQUIRED.--The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, shall produce, distribute, and process free of charge a common financial reporting form to be used to determine the need and eligibility of a student for financial assistance under parts A, C, D, and E of this title (other than under subpart 4 of part A) and to determine the need of a student for the purpose of part B of this title. The Secretary may include on the form developed pursuant to this paragraph not more than eight nonfinancial data items selected in consultation with the States to assist the States in awarding State student financial assistance. Such form shall satisfy the requirements of section 401(d) of this title. For the purpose of collecting eligibility and other data for the purpose of part B, the Secretary shall develop a separate, identifiable loan application document (pursuant to section 432(m)) that applicants or institutions in which the students are enrolled or accepted for enrollment shall submit directly to eligible lenders and on which the applicant shall clearly indicate a choice of a lender.	Section 483 is amended to read as follows: "FORMS AND REGULATIONS. (a) COMMON FINANCIAL AID FORM AND PROCESSING.-- (1) SINGLE FORM REQUIRED.--The Secretary, in cooperation with representatives of agencies and organizations involved in student financial assistance, shall produce, distribute, and process free of charge a common financial reporting form to be used to determine the need and eligibility of a student for financial assistance under **~~parts A, C, D, and E of~~** this title (other than under subpart 4 of part A **and section 428B of this title)** **~~and to determine the need of a student for the purpose of part B of this title~~**. The Secretary may include on the form developed pursuant to this paragraph not more than eight nonfinancial data items selected in consultation with the States to assist the States in awarding State student financial assistance. **The Secretary may include on the form developed pursuant to this paragraph such minimal data items that may be necessary to perform application operations under part B of this title.** Such form shall satisfy the requirements of section 401(d) of this title. **~~For the purpose of collecting eligibility and other data for the purpose of part B, the Secretary shall develop a separate, identifiable loan application document (pursuant to section~~**	**LP-7. FAFSA use for FFEL Program.** NASFAA recommends that the FAFSA be used as the application for the FFEL Program. This recommendation would benefit students by simplifying the Title IV application process and is essential to equalizing the treatment of both loan programs. However, NASFAA also recommends that in accomplishing this service for students, schools, and lenders that the complexity of the form and number of data elements be kept to the smallest level necessary to provide needed data.

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	~~432(m)) that applicants or institutions in which the students are enrolled or accepted for enrollment shall submit directly to eligible lenders and on which the applicant shall clearly indicate a choice of a lender.~~"	

Part A
Grants to Students in Attendance at Institutions of Higher Education

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part A-Grants To Students In Attendance At Institutions Of Higher Education

Current Law	Suggested Amendment	Rationale
Section 401(b)(2)(A)	**See NASFAA recommendation GL-1.**	**A-1. Federal Pell Grant maximum award.**
Section 401(b)(2)(B) In any case where a student attends an institution of higher education on less than a full-time basis (including a student who attends an institution of higher education on less than a half-time basis) during any academic year, the amount of the basic grant to which that student is entitled shall be reduced in proportion to the degree to which that student is not so attending on a full-time basis, in accordance with a schedule of reductions established by the Secretary for the purposes of this division, computed in accordance with this subpart. Such schedule of reductions shall be established by regulation and published in the Federal Register in accordance with section 482 of this Act.	**Retain current law.**	**A-2. Federal Pell Grants for less than half-time students.** NASFAA recommends retaining current law allowing less than half-time students eligibility for Federal Pell Grants. NASFAA suggests that this authority is valuable for those schools whose mission, in part, is to serve such students. The provision also gives students the opportunity to work to completion of their academic programs on a part-time basis if their circumstances are such that economic considerations, employment, or family responsibilities prevent their full-time attendance.
Section 401(b)(5)	**See NASFAA recommendation GL-2.**	**A-3. Federal Pell Grant minimum award.**
Section 401(c) PERIOD OF ELIGIBILITY FOR GRANTS.--(1) The period during which a student may receive basic grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance except that any period during which the student is enrolled	**Retain current law, with modification per NASFAA recommendation G-17.**	**A-4. Period of eligibility for grants.** NASFAA considered options for change of this provision and concluded that the time frame in the current law gives students necessary flexibility to complete their programs of study. NASFAA does recommend, however, a change in paragraph (2) that can be found in recommendation G-17 dealing with remedial education.

Current Law	Suggested Amendment	Rationale
in a noncredit or remedial course of study as defined in paragraph (2) shall not be counted for the purpose of this paragraph.		
Section 401(e) DISTRIBUTION OF GRANTS TO STUDENTS.--Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purpose of this section. Any disbursement allowed to be made by crediting the student's account shall be limited to tuition and fees and, in the case of institutionally owned housing, room and board. The student may elect to have the institution provide other such goods and services by crediting the student's account.	Section 401(e) is amended to read as follows: "(e) DISTRIBUTION OF GRANTS TO STUDENTS.--Payments under this section shall be made in accordance with regulations promulgated by the Secretary for such purpose, in such manner as will best accomplish the purpose of this section. Any disbursement allowed to be made by crediting the student's account shall be limited to tuition and fees, **books and supplies,** and, in the case of institutionally owned housing, room and board. The student may elect to have the institution provide other such goods and services by crediting the student's account."	**A-5. Distribution of grants to students.** NASFAA's recommendation allowing schools to credit students' accounts for verifiable charges for books and supplies would better serve students. This permissive language gives schools the option of streamlining operations providing students with a convenient method of payment for books and supplies necessary for their coursework.
Section 401(g) INSUFFICIENT APPROPRIATIONS.--If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall promptly transmit a notice of such insufficiency to each House of the Congress, and identify in such notice the additional	Section 401(g) is amended to read as follows: "(g) INSUFFICIENT APPROPRIATIONS.--**(1)** If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall promptly transmit a ~~**notice of such insufficiency**~~ **request** to each House of the Congress~~**, and**~~	**A-6. Insufficient appropriations.** Under current law the Secretary informs the Congress of a Federal Pell Grant shortfall. NASFAA's suggested change mandates that the Secretary and the Administration seek supplemental funding for any shortfall rather than reduce student awards.

Current Law	Suggested Amendment	Rationale
amount that would be required to be appropriated to satisfy fully all entitlements (as so calculated at such maximum grant level).	~~identify in such notice~~ **for supplemental appropriations in** the additional amount that would be required to be appropriated to satisfy fully all entitlements (as so calculated at such maximum grant level). **(2) If, for any fiscal year, the funds appropriated for payments under this subpart are insufficient to satisfy fully all entitlements, as calculated under subsection (b) (but at the maximum grant level specified in such appropriation), the Secretary shall not have the authority to reduce the amount of a grant without authorization by the Congress."**	The recommendation's effect also shares responsibility between the Congress and Administration for any reduction in awards in the Federal Pell Grant Program.
Section 401(g)	**See NASFAA recommendation GL-3.**	**A-7. Federal Pell Grant entitlement.**
Cross reference.	**See NASFAA recommendation AP-1.**	**A-8. Federal Pell Grant Program front-loading and limitation proposals.**
National Early Intervention Scholarship and Partnership Program Section 404C(a)(3) earn a grade point average of 2.5 or higher, on a scale of 4.0, in the final 2 years of high school; and (4) either-- (A) have participated, for a minimum period of 36 months, in an early intervention program that meets the requirements of section 406D; or	Section 404C(a)(3) & (4) are amended to read as follows: "(3) earn a grade point average of 2.5 or higher, on a scale of 4.0, in the final 2 years of high school~~; and~~ ~~(4) either--~~ ~~(A) have participated, for a minimum period of 36 months, in an early intervention program that meets the requirements of section 406D;~~	**A-9. Requirements for students in first year of postsecondary education.** NASFAA recommends the elimination of this eligibility requirement provision, since early intervention programs are not widely available to potential scholarship recipients. Rather NASFAA believes that a simple grade point average requirement or class ranking would be a more appropriate selection criteria to

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(B) rank, or have ranked, in the top 10 percent, by grade point average, of the student's secondary school graduating class.	~~(B)~~ **or** rank, or have ranked, in the top 10 percent, by grade point average, of the student's secondary school graduating class."	recognize a recipient's academic excellence that this program seeks to achieve.
Section 404D(c) RELATION TO OTHER ASSISTANCE.--Tuition assistance provided under this chapter shall not be considered for the purpose of awarding Federal grant assistance under this title, except that in no case shall the total amount of student financial assistance awarded to a student under this title exceed such student's total cost of attendance.	Section 404D(c) is amended to read as follows: "(c) RELATION TO OTHER ASSISTANCE.-- Tuition assistance provided under this chapter shall **not** be considered for the purpose of awarding Federal grant assistance under this title~~., except that in no case shall the total amount of student financial assistance awarded to a student under this title exceed such student's total cost of attendance.~~"	**A-10. Scholarship Component.** NASFAA would prohibit scholarship plus other student financial assistance awarded using the eligibility determination system under Part F of this Title from exceeding student's federal program eligibility. While it may be generous to exclude such scholarships for the purpose of awarding other Title IV aid, NASFAA suggests that all sources of aid should be considered when awarding Title IV assistance to extend limited federal funding. The benefit afforded by this provision should be suspended to better serve all recipients of federal aid at a time of limited federal resources.
Presidential Access Scholarships Section 406B. SCHOLARSHIP PROGRAM REQUIREMENTS. (a) AMOUNT OF AWARD.--(1) IN GENERAL.--Except as provided in paragraph (2), the amount of a scholarship awarded under this chapter for any academic year shall be equal to 25 percent of the Pell Grant that the recipient is awarded for that year or $400,	Section 406B(a)(1) is amended to read as follows: "SCHOLARSHIP PROGRAM REQUIREMENTS. (a) AMOUNT OF AWARD.--(1) IN GENERAL.--Except as provided in paragraph (2), the amount of a scholarship awarded under this chapter for any academic year shall be equal to ~~25~~ **50** percent of the Pell Grant that the recipient is awarded for that year or $400,	**A-11. Amount of award.** NASFAA recommends increasing the maximum award to the greater of 50% (from 25%) of the recipient's Federal Pell Grant award or $400. NASFAA suggests that doubling the percentage to expand the benefits of the Presidential Access Scholarship would be a desirable public policy purpose to better assist PAS recipients.

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whichever is greater.	whichever is greater."	
Section 406B(b) PERIOD OF AWARD.--Scholarships under this chapter shall be awarded for a period of not more than four academic years, or in the case of a student who is enrolled in an undergraduate course of study that requires attendance for the full-time equivalent of five academic years, five academic years.	Section 406B(b) is amended to read as follows: "(b) PERIOD OF AWARD.--~~Scholarships under this chapter shall be awarded for a period of not more than four academic years, or in the case of a student who is enrolled in an undergraduate course of study that requires attendance for the full-time equivalent of five academic years, five academic years.~~ **Scholarships under this chapter shall be awarded under the provisions of Section 401(c)."**	**A-12. Period of award.** NASFAA recommends removing the cumulative year limitations and, instead, permit awards for the period required to complete an undergraduate degree. NASFAA views this time limitation as arbitrary given the current practices in postsecondary education and NASFAA suggests the time eligibility requirement for this scholarship parallel that for the Federal Pell Grant Program.
Section 406B(d) ASSISTANCE NOT TO EXCEED COST OF ATTENDANCE.--A scholarship awarded under this chapter to any student, in combination with the Pell Grant and other student financial assistance available to such student, may not exceed the student's cost of attendance (as defined in section 472).	Section 406B(d) is amended to read as follows: "(d) ASSISTANCE NOT TO EXCEED ~~COST OF ATTENDANCE~~ **DETERMINATION OF ELIGIBILITY**.--A scholarship awarded under this chapter to any student, in combination with the Pell Grant and other student financial assistance available to such student, may not exceed the student's ~~cost of attendance (as defined in section 472).~~ **amount of eligibility as determined under Part F."**	**A-13. Assistance not to exceed cost of attendance.** NASFAA suggests all sources of aid should be considered when awarding Title IV assistance to extend limited federal funding. Therefore, prohibiting scholarship assistance from exceeding the student's need will better serve all recipients of federal aid.
Section 406E (a) STUDENT ELIGIBILITY.--For the purpose of this chapter, the term ``eligible student'' means an	Section 406E (a) is amended to read as follows: "(a) STUDENT ELIGIBILITY.--For the purpose of this chapter, the term ``eligible	**A-14. Student eligibility.** NASFAA suggests elimination of this program eligibility requirement that student enroll or be

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Current Law	Suggested Amendment	Rationale
individual who-- (1) is a graduate of a public or private secondary school or has the equivalent certificate of graduation as recognized by the State in which the eligible student resides; (2) not later than 3 years after such individual graduates or obtains an equivalent certificate, has been admitted for enrollment or is enrolled at an institution of higher education; and (3) is eligible to receive a Pell Grant for the year in which the scholarship is awarded.	student" means an individual who-- (1) is a graduate of a public or private secondary school or has the equivalent certificate of graduation as recognized by the State in which the eligible student resides; **and** ~~**(2) not later than 3 years after such individual graduates or obtains an equivalent certificate, has been admitted for enrollment or is enrolled at an institution of higher education; and**~~ ~~**(3)**~~ **(2)** is eligible to receive a Pell Grant for the year in which the scholarship is awarded."	admitted for enrollment within 3 years of high school graduation or receipt of an equivalent certificate. The three-year limitation is incompatible with providing desirable flexibility to individuals whose enrollment in this program is delayed for reasons beyond their control, for example, the ineligibility of an individual who meets all other program requirements, but must work for four years after high school graduation due to an illness of a parent or because the individual enlisted and served in the United State military.
Section 410A. NATIONAL STUDENT SAVINGS DEMONSTRATION PROGRAM... (d) AUTHORIZATION OF APPROPRIATIONS.-- There are authorized to be appropriated $10,000,000 for fiscal year 1993 and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this section.	Retain Chapter 6 unchanged, except for this amendment that reads as follows:... "Section 410A(d) AUTHORIZATION OF APPROPRIATIONS.--There are authorized to be appropriated $10,000,000 for fiscal year ~~**1993**~~ **1998** and such sums as may be necessary for each of the 4 succeeding fiscal years to carry out this section."	**A-15. National Student Savings Demonstration Program.** Although this program has not received funding, NASFAA suggests it remain authorized since we believe it has the potential to encourage savings for college expenses.
Section 413A(a) PURPOSE OF SUBPART.--It is the purpose of this subpart to provide, through institutions of higher education, supplemental grants to assist in making available the benefits of	Section 413A(a) is amended to read as follows: "(a) PURPOSE OF SUBPART.--It is the purpose of this subpart to provide, through institutions of higher education, supplemental grants to assist in making available the benefits	**A-16. Purpose of Subpart.** NASFAA recommends adding this legislative language to strengthen the FSEOG purpose section.

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Current Law	Suggested Amendment	Rationale
postsecondary education to qualified students who demonstrate financial need in accordance with the provisions of part F of this title.	of postsecondary education to qualified students who demonstrate financial need in accordance with the provisions of part F of this title. **These grants continue to positively impact needy individuals to chose higher education as the gateway to realizing their own potential."**	
Section 413B(a) AMOUNT OF GRANT.--(1) Except as provided in paragraph (3), from the funds received by it for such purpose under this subpart, an institution which awards a supplemental grant to a student for an academic year under this subpart shall, for each year, pay to that student an amount not to exceed the lesser of (A) the amount determined by the institution, in accordance with the provisions of part F of this title, to be needed by that student to enable the student to pursue a course of study at the institution or in a program of study abroad that is approved for credit by the institution at which the student is enrolled, or (B) $4,000. (2) If the amount determined under paragraph (1) with respect to a student for any academic year is less than $100, no payment shall be made to that student for that year. For a student enrolled for less than a full academic year, the minimum payment required shall be	**Retain current law.**	**A-17. Amount of grant.** NASFAA recommends retaining the current minimum ($100) and maximum ($4,000) FSEOG award amounts. Because of limited funding, few postsecondary institutions currently award large numbers of students the maximum FSEOG allowable under law. NASFAA suggests the current minimum and maximum award amounts continue to be fair, reasonable, and appropriate policy for the FSEOG Program.

Current Law	Suggested Amendment	Rationale
reduced proportionately.		
Section 413C(a)(2) agrees that the Federal share of awards under this subpart will not exceed 75 percent of such awards, except that the Federal share may be exceeded if the Secretary determines, pursuant to regulations establishing objective criteria for such determinations, that a larger Federal share is required to further the purpose of this subpart; and except that the Federal share may be exceeded if the Secretary determines, pursuant to regulations establishing objective criteria for such determinations, that a larger Federal share is required to further the purpose of this subpart; and	**Retain current law.**	**A-18. FSEOG match** NASFAA recommends retaining the current Federal SEOG campus match. NASFAA believes the current federal/school partnership as exhibited by the campus FSEOG match is appropriate and should continue unchanged.
Section 413C(c)(2)(A) In carrying out paragraph (1) of this subsection, each institution of higher education shall, in the agreement made under section 487, assure that the selection procedures-- (i) will be designed to award supplemental grants under this subpart, first, to students with exceptional need, and (ii) will give a priority for supplemental grants under this subpart to students who receive Pell Grants and meet the requirements	Section 413C(c)(2)(A) & (B) are amended to read as follows: "(A) In carrying out paragraph (1) of this subsection, each institution of higher education shall, in the agreement made under section 487, assure that the selection procedures-- ~~(i)~~ will be designed to award supplemental grants under this subpart, ~~first,~~ to students with exceptional **financial** need, and ~~(ii) will give a priority for supplemental grants under this subpart to students who receive Pell Grants and meet the~~	**A-19. Federal SEOG Exceptional Need/Federal Pell Eligibility Criteria.** NASFAA suggests that some needy students are denied FSEOG assistance, and in some cases, are needier than Federal Pell Grant recipients. We believe schools should have greater flexibility in awarding these funds to meet the pressing needs of these students. The recommendation allows schools the option to award up to 25 percent of FSEOG funds to Title IV eligible students based on school-defined exceptional financial need. If a school decided to make use of this capped authority,

Current Law	Suggested Amendment	Rationale
of section 484. (B) For the purpose of subparagraph (A), the term ``students with exceptional need'' means students with the lowest expected family contributions at the institution.	**~~requirements of section 484.~~** (B) For the purpose of subparagraph (A), the term ``students with exceptional **financial** need'' **~~means students with the lowest expected family contributions at the institution.~~ shall be defined solely by the institution. However, each institution must award at least 75 percent of its awards under this subpart to students who receive grants under subpart 1, and all recipients meet the requirements of section 484."**	the balance of FSEOG monies would go to Pell eligible students. Exceptional need would be determined by the campus. Schools retain the option of awarding all of FSEOG funds under current rules.
Section 413C(d) USE OF FUNDS FOR LESS-THAN-FULL-TIME STUDENTS.--If the institution's allocation under this subpart is directly or indirectly based in part on the financial need demonstrated by students who are independent students or attending the institution less than full time, a reasonable proportion of the institution's allocation shall be made available to such students, except that if the total financial need of all such students attending the institution exceeds 5 percent of the need of all students attending such institution, then at least 5 percent of such allotment shall be made available to such students.	Section 413C(d) is amended to read as follows: "(d) USE OF FUNDS FOR LESS-THAN-FULL-TIME STUDENTS.--If the institution's allocation under this subpart is directly or indirectly based in part on the financial need demonstrated by students who are independent students or attending the institution less than full time, a reasonable proportion of the institution's allocation shall be made available to such students**~~, except that if the total financial need of all such students attending the institution exceeds 5 percent of the need of all students attending such institution, then at least 5 percent of such allotment shall be made available to such students~~**."	**A-20. Use of funds for less-than-full-time students.** NASFAA suggests eliminating the percentage references to less than full-time or independent students. NASFAA concludes grants must be available to these students if they are considered in the allocation data provided to the Secretary as required in current law which is used to determine the amount of funds a campus shall receive. The current monitoring requirements, however, increase administrative burden with little advantage to the intended beneficiaries. It would be more efficient to monitor institutional compliance during program reviews.

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National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part A-Grants To Students In Attendance At Institutions Of Higher Education

Current Law	Suggested Amendment	Rationale
Section 413C(e) USE AND TRANSFER OF FUNDS FOR ADMINISTRATIVE EXPENSES.--An agreement entered into pursuant to this section shall provide that funds granted to an institution of higher education may be used only to make payments to students participating in a grant program authorized under this subpart, except that an institution may use a portion of the sums allocated to it under this subpart to meet administrative expenses in accordance with section 489 of this title.	Section 413C(e) is amended to read as follows: "(e) USE AND TRANSFER OF FUNDS FOR ADMINISTRATIVE EXPENSES.--An agreement entered into pursuant to this section shall provide that funds granted to an institution of higher education may be used only to make payments to students participating in a grant program authorized under this subpart, **(1)** except that an institution may use a portion of the sums allocated to it under this subpart to meet administrative expenses in accordance with section 489 of this title**: and, (2) to best meet the needs of its students as authorized under section 488 this title."**	**A-21. Use and transfer of funds for administrative expenses.** NASFAA recommends reinstating the ability to transfer FSEOG funds to other campus-based programs. Schools should have the flexibility in their campus-based programs to best meet the needs of their student population. Such authority could be tied to a school's level of institutional grant funding. For example, if FSEOG represents a very small portion of the school's total gift aid, such transfer authority could enable the school to boost other campus-based programs such as FWS, if student needs so dictated. See also NASFAA recommendation G-32.
Cross reference.	**See NASFAA recommendation AP-2.**	**A-22. FSEOG for graduate students.**

Part B
Federal Family Education Loan Program

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part B-Federal Family Education Loan Program

Current Law	Suggested Amendment	Rationale
Note: Given the structure of the Act and the art of placement of legislative language in the Act, unless otherwise noted, the following FFELP recommendations also apply to the Federal Direct Loan Program, and the FISL Program as well.		
Section 421(a)(2)	**See NASFAA recommendation LP-2.**	**B-1. Lender discrimination.**
Section 422(c)(6) (6) PAYMENT OF ADVANCES WHERE NO STATE PROGRAM.--(A) If for any fiscal year a State does not have a student loan insurance program covered by an agreement made pursuant to section 428(b), and the Secretary determines after consultation with the chief executive officer of that State that there is no reasonable likelihood that the State will have such a student loan insurance program for such year, the Secretary may make advances pursuant to this subsection for such year for the same purpose to one or more nonprofit private institutions or organizations with which he has made an agreement pursuant to subsection (c), as well as subsection (b), of section 428 and subparagraph (B) of this paragraph in order to enable students in that State to participate in a program of student loan insurance covered by such agreements. (B) The Secretary may enter into an agreement with a private nonprofit institution or organization for the purpose of this paragraph under which such institution or organization--	Section 422(c)(6) is amended to read as follows: " (6) PAYMENT OF ADVANCES WHERE NO STATE PROGRAM.--(A) If for any fiscal year a State does not have a student loan insurance program covered by an agreement made pursuant to section 428(b), and the Secretary determines after consultation with the chief executive officer of that State that there is no reasonable likelihood that the State will have such a student loan insurance program for such year, the Secretary may make advances pursuant to this subsection for such year for the same purpose to one or more nonprofit private institutions or organizations with which he has made an agreement pursuant to subsection (c), as well as subsection (b), of section 428 and subparagraph (B) of this paragraph in order to enable students in that State to participate in a program of student loan insurance covered by such agreements. (B) The Secretary may enter into an agreement with a private nonprofit institution or organization for the purpose of this paragraph under which such institution or organization--	**B-2. Handling of electronic inquiries by non-state guarantors.** The suggested amendment would require non-state guarantors to handle electronic inquiries in addition to written or telephone inquiries. NASFAA recommends this change to facilitate and encourage the use of electronic technologies and communications as a service.

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(i) agrees to establish within such State at least one office with sufficient staff to handle written and telephone inquiries from students, eligible lenders, and other persons in the State, to encourage maximum commercial lender participation within the State, and to conduct periodic visits to at least the major eligible lenders within the State; (ii) agrees that its insurance will not be denied any student because of his or her choice of eligible institutions; and (iii) certifies that it is neither an eligible institution, nor has any substantial affiliation with an eligible institution.	(i) agrees to establish within such State at least one office with sufficient staff to handle **electronic,** written and telephone inquiries from students, eligible lenders, and other persons in the State, to encourage maximum commercial lender participation within the State, and to conduct periodic visits to at least the major eligible lenders within the State; (ii) agrees that its insurance will not be denied any student because of his or her choice of eligible institutions; and (iii) certifies that it is neither an eligible institution, nor has any substantial affiliation with an eligible institution."	
Section 425(a)	**See NASFAA recommendations GL-5, 6, 7, 8, 9, & 10.**	**B-3. FISL annual and aggregate loan limits.**
Section 427(a)(2)(C)	**See the following NASFAA recommendations:**	**B-4. FISL**
	See NASFAA recommendation B-6.	**B-4a. Loan subsidies.**
	See NASFAA recommendation B-14.	**B-4b. FISL Deferments for borrowers attending half-time.**
Section 427A. APPLICABLE INTEREST RATES.	**Retain current law.**	**B-5. Student loan interest rate.** NASFAA recommends that the current interest rate structure and formula be maintained unless lower rate structure and formula is a viable option.

Current Law	Suggested Amendment	Rationale
Sections 427(a)(2), 428(a)(3), 428(b)(1)(E), (M), (7), 428B(d), 428C(b)(4) & (c)(4), 428H(e), 428J, 437, 437A, and 455.	**Retain current law.**	**B-6. Loan subsidies.** NASFAA recommends retaining the current loan subsidies to students, including but not limited to in-school subsidy, grace period, and periods of deferment. NASFAA supports the continuation of the federal student loan subsidies in the belief that they are appropriate student benefits. Several of these subsidies, if eliminated, would increase student loan debt and others help students remain in-school free of additional costs.
Sections 428(a) (2) ADDITIONAL REQUIREMENTS TO RECEIVE SUBSIDY.--(A) Each student qualifying for a portion of an interest payment under paragraph (1) shall-- (i) have provided to the lender a statement from the eligible institution, at which the student has been accepted for enrollment, or at which the student is in attendance, which-- (I) sets forth such student's estimated cost of attendance (as determined under section 472); (II) sets forth such student's estimated financial assistance; and (III) sets forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G; and	Section 428(a) is amended to read as follows: **"(2) ADDITIONAL REQUIREMENTS TO RECEIVE SUBSIDY.--(A) Each student qualifying for a portion of an interest payment under paragraph (1) shall provide to the lender a statement from the eligible institution, at which the student has been accepted for enrollment, or at which the student is in attendance, which certifies the eligibility of the student to receive a loan under this part and the amount of the loan for which such student is eligible.** **(B) A student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has provided the lender with a statement that--** **(i) at the lender's request, sets forth such**	**B-7. Required statements to lenders.** The suggested amendment would eliminate the requirement that borrowers provide certain statements to their lenders. These sections require the borrower to provide to the lender a statement from their school which (1) sets forth the student's estimated cost of attendance (COA) (as determined under section 472) and (2) sets forth such student's estimated financial assistance (EFA) and (3) certifies the eligibility of the student to receive a loan and the amount of the loan for which the student is eligible. Given that schools are responsible for certifying eligibility and maintaining COA and EFA information, NASFAA recommends that borrowers provide a statement to the lender

Current Law	Suggested Amendment	Rationale
(ii) meet the requirements of subparagraph (B); and Similar language is included in section 428H(b)	**student's estimated cost of attendance (as determined under section 472);** **(ii) sets forth such student's estimated financial assistance; and** **(iii) sets forth a schedule for disbursement of the proceeds of the loan in installments, consistent with the requirements of section 428G.** **(C)For the purpose of clause (ii) of subparagraph (B), a student shall qualify for a portion of an interest payment under paragraph (1) if the eligible institution has provided the lender with a statement evidencing a determination of need for a loan (as determined under part F of this title) and the amount of such need, subject to the provisions of subparagraph (D)."**	that certifies only the student's eligibility to receive a loan and the amount of the loan. Institutions should be required to make available, at the lender's request, the student's estimated cost of attendance and estimated financial assistance.
Section 428(a)(2)(F)	**See NASFAA recommendation F-21.**	**B-8. Reaffirming professional judgment authority and ability to reduce/deny loans.**
Section 428(a)(3)	**See NASFAA recommendation B-6.**	**B-9. Loan subsidies.**
Section 428(b)	**See the following NASFAA recommendations;**	**B-10. FFELP and Direct Loan Program annual and aggregate loan limits.**
	See NASFAA recommendations GL-5.	**B-10a. FFELP/Direct Loan maximum annual loan amount.**
	See NASFAA recommendation GL-6.	**B-10b. Application of loan proration.**

Current Law	Suggested Amendment	Rationale
	See NASFAA recommendation GL-7.	**B-10c. Graduate/Professional student annual loan limits.**
	See NASFAA recommendation GL-8.	**B-10d. Increases in loan limits.**
	See NASFAA recommendation GL-9.	**B-10e. Aggregate loan limits.**
	See NASFAA recommendation GL10.	**B-10f. School authority to set lower institutional loan limits.**
Section 428(b)(1) (B) provides that the aggregate insured unpaid principal amount for all such insured loans made to any student shall be any amount up to a maximum of-- (i) $23,000, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 428A or 428B; and (ii) $65,500, in the case of any graduate or professional student (as defined by regulations of the Secretary), and (I) including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student, but (II) excluding loans made under section 428A or 428B, except that the Secretary may increase the limit applicable to students who are pursuing programs which the Secretary determines are	Section 428(b)(1) is amended to read as follows: "(B) provides that the aggregate insured unpaid principal amount for all such insured loans made to any student shall be any amount up to a maximum of-- (i) $23,000, in the case of any student who has not successfully completed a program of undergraduate education, excluding loans made under section 428A or 428B; and (ii) $65,500, in the case of any graduate or professional student (as defined by regulations of the Secretary)**, or a student in a teacher certification program who has successfully completed a program of undergraduate education**, and (I) including any loans which are insured by the Secretary under this section, or by a guaranty agency, made to such student before the student became a graduate or professional student, but (II) excluding loans made under section 428A or 428B,	**B-11. Aggregate limit for students in teacher certification programs.** The suggested amendment would permit teacher certification program students who have successfully completed a program of undergraduate education to borrow up to the graduate/professional student aggregate maximum level. Because the treatment of teacher certification programs varies from state to state, NASFAA recommends that the eligibility of these students be specifically referenced to ensure that they will not be precluded from borrowing in order to complete their certifications. See also NASFAA recommendation GL-9.

Current Law	Suggested Amendment	Rationale
exceptionally expensive;	except that the Secretary may increase the limit applicable to students who are pursuing programs which the Secretary determines are exceptionally expensive;"	
Section 428(b)(1)(E) & (M), (7)	**See NASFAA recommendation B-6.**	**B-12. Loan subsidies.**
Section 428(b)(1)(H)	**See NASFAA recommendation LP-3a.**	**B-13. Insurance premium and federal financing.**
Section 428(b)(1)(M)(i)(I) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period-- (i) during which the borrower-- (I) is pursuing at least a half-time course of study as determined by an eligible institution; or	Section 428(b)(1)(M)(i)(I) is amended as to read follows: "(C) provides that periodic installments of principal need not be paid, but interest shall accrue and be paid, during any period-- (i) during which the borrower-- (I) is pursuing at least a half-time course of study as determined by an eligible institution, **but that no borrower, despite the provisions of their promissory note, shall be required to borrow an additional loan under this title in order to be eligible to receive this deferment**; or"	**B-14. Deferments for borrowers attending half-time.** The suggested amendment would ensure that no borrower would be required to borrow an additional Title IV loan in order to receive an in-school deferment. Before enactment of the Higher Education Amendments of 1992, a half-time student was required to borrow in order to receive an in-school deferment. Although this provision was stricken by the Amendments of 1992, some borrowers are still subject to this requirement because of the promissory note they signed.
Section 428(b) (3) RESTRICTIONS ON INDUCEMENTS, MAILINGS, AND ADVERTISING.--	Section 428(b)(3) is amended to read as follows (underline added to emphasize changes): **"(3) RESTRICTIONS ON INDUCEMENTS, MAILINGS, AND ADVERTISING.**	**B-15. Restrictions on guaranty agency and lender activities**. The suggested amendment would extend the current law restrictions on guaranty agency inducements, mailings and advertising to lenders participating in the Part B programs,

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Part B-Federal Family Education Loan Program

Current Law	Suggested Amendment	Rationale
A guaranty agency shall not-- (A) offer, directly or indirectly, premiums, payments, or other inducements to any educational institution or its employees in order to secure applicants for loans under this part; (B) offer, directly or indirectly, any premium, incentive payment, or other inducement to any lender, or any agent, employee, or independent contractor of any lender or guaranty agency, in order to administer or market loans made under this part (other than a loan made under section 428H or a loan made as part of a guaranty agency's lender-of-last-resort program) for the purpose of securing the designation of that guaranty agency as the insurer of such loans; (C) conduct unsolicited mailings to students enrolled in secondary school of student loan application forms; or (D) conduct fraudulent or misleading advertising concerning loan availability.	**(A) A lender or guaranty agency shall not --** **(i) offer, directly or indirectly, premiums, payments, or other inducements to any educational institution or its employees in order to secure applicants for loans under this part.** **(ii) conduct unsolicited mailings to students enrolled in secondary school or a postsecondary institution, or parents of student loan application forms; or** **(iii) conduct fraudulent or misleading advertising concerning loan availability.** **(B) A guaranty agency shall not offer, directly or indirectly, any premium, incentive payment, or other inducement to any lender, or any agent, employee, or independent contractor of any lender or guaranty agency, in order to administer or market loans made under this part (other than a loan made under section 428H or a loan made as part of a guaranty agency's lender-of-last-resort program) for the purpose of securing the designation of that guaranty agency as the insurer of such loans."**	and extend the restrictions on unsolicited mailing of student loan application forms to include parents and students enrolled in postsecondary institutions. NASFAA recommends these changes to safeguard the interests of students and the integrity of the loan programs. Regarding mailings to students, current law prohibits unsolicited mailings of student loan application forms to students enrolled in secondary school. NASFAA believes that unsolicited mailings of application forms to students enrolled in postsecondary education should be prohibited as well.

Current Law	Suggested Amendment	Rationale
Section 428(c)(2) (H) set forth assurances that-- (i) upon the request of an eligible institution, the guaranty agency shall, subject to clauses (ii) and (iii), furnish to the institution information with respect to students (including the names and addresses of such students) who received loans made, insured, or guaranteed under this part for attendance at the eligible institution and for whom preclaims assistance activities have been requested under subsection (l); (ii) the guaranty agency may require the payment by the institution of a reasonable fee (as determined in accordance with regulations prescribed by the Secretary) for such information; and (iii) the guaranty agency will require the institution to use such information only to assist the institution in reminding students of their obligation to repay student loans and shall prohibit the institution from disseminating the information for any other purpose.	Section 428(c)(2) is amended to read as follows: "(H) set forth assurances that-- (i) upon the request of an eligible institution, the guaranty agency shall, subject to clauses (ii) and (iii), furnish to the institution information with respect to students (including the names and addresses of such students) who received loans made, insured, or guaranteed under this part for attendance at the eligible institution and for whom preclaims assistance activities have been requested under subsection (l); (ii) the guaranty agency **~~may~~ shall not** require the payment by the institution **~~of a reasonable fee (as determined in accordance with regulations prescribed by the Secretary)~~** for such information; and (iii) the guaranty agency will require the institution to use such information only to assist the institution in reminding students of their obligation to repay student loans and shall prohibit the institution from disseminating the information for any other purpose."	**B-16. Pre-claims assistance charges to schools.** The suggested amendment would eliminate the authority of guaranty agencies to charge schools for furnishing pre-claims assistance materials. NASFAA believes that institutions should not be subject to a fee for helping to meet lender pre-claim assistance requirements. Imposing a fee could act as a disincentive for schools to help remind students of their obligation to repay their loans.
Section 428(c) (3) FORBEARANCE.--A guaranty agreement under this subsection-- (A) shall contain provisions providing that-- (i) upon written request, a lender shall grant a borrower forbearance, renewable at 12-month	Section 428(c) is amended to read as follows: "(3) FORBEARANCE.--A guaranty agreement under this subsection-- (A) shall contain provisions providing that-- (i) upon written **or electronic** request, a lender shall grant a borrower forbearance,	**B-17. Electronic forbearance requests by borrowers.** The suggested amendment would permit borrowers to request forbearance electronically. Current law specifies that borrowers must request forbearance in writing.

Current Law	Suggested Amendment	Rationale
intervals, on terms agreed to in writing by the parties to the loan with the approval of the insurer, and otherwise consistent with the regulations of the Secretary, if the borrower--	renewable at 12-month intervals, on terms agreed to in writing by the parties to the loan with the approval of the insurer, and otherwise consistent with the regulations of the Secretary, if the borrower--"	NASFAA recommends this change to facilitate and encourage the use of electronic technologies and communications and reduce the number of technical and actual delinquencies and defaults.
Section 428(c) (3) FORBEARANCE.--A guaranty agreement under this subsection-- ..... (B) may, to the extent provided in regulations of the Secretary, contain provisions that permit such forbearance for the benefit of the student borrower as may be agreed upon by the parties to an insured loan and approved by the insurer; and	Section 428(c)(3) is amended to read as follows: (3) FORBEARANCE.--A guaranty agreement under this subsection-- ..... (B) may, to the extent provided in regulations of the Secretary, contain provisions that permit such forbearance for the benefit of the student borrower**, including a forbearance granted after consideration of a borrower's total debt burden,** as may be agreed upon by the parties to an insured loan and approved by the insurer; and"	**B-18. Total debt as a factor in forbearance.** The suggested amendment would permit guaranty agencies to consider a borrower's total debt as a factor in granting forbearance. NASFAA believes that forbearance is a valuable tool that can prevent borrowers experiencing temporary repayment difficulty from defaulting on their loans. As such, we believe that guaranty agencies should, to the extent practicable, be encouraged to consider a borrower's total debt-to-income ratio (not just Title IV student loan debt) when deciding whether to grant a forbearance request.
Section 428(n) (n) STATE SHARE OF DEFAULT COSTS.-- (1) IN GENERAL.--In the case of any State in which there are located any institutions of higher education that have a cohort default rate that exceeds 20 percent, such State shall pay to the Secretary an amount equal to-- (A) the new loan volume attributable to all institutions in the State for the current fiscal	**Delete subsection (n).**	**B-19. State share of default costs.** NASFAA recommends striking the provision requiring states to pay the federal government a fee for any postsecondary institutions that have a cohort default rate above 20 percent. Current anti-default measures are working to bring down default rates and this provision would do little to reduce defaults and may, by draining resources used in default prevention currently,

Current Law	Suggested Amendment	Rationale
year; multiplied by (B) the percentage specified in paragraph (2); multiplied by (C) the quotient of-- (i) the sum of the amounts calculated under paragraph (3) for each such institution in the State; divided by (ii) the total amount of loan volume attributable to current and former students of institutions located in that State entering repayment in the period used to calculate the cohort default rate. (2) PERCENTAGE.--For purposes of paragraph (1)(B), the percentage used shall be-- (A) 12.5 percent for fiscal year 1995; (B) 20 percent for fiscal year 1996; and (C) 50 percent for fiscal year 1997 and succeeding fiscal years. (3) CALCULATION.--For purposes of paragraph (1)(C)(i), the amount shall be determined by calculating for each institution the amount by which-- (A) the amount of the loans received for attendance by such institution's current and former students who (i) enter repayment during the fiscal year used for the calculation of the cohort default rate, and (ii) default before the end of the following fiscal year; exceeds (B) 20 percent of the loans received for attendance by all the current and former		actually be counterproductive.

Current Law	Suggested Amendment	Rationale
students who enter repayment during the fiscal year used for the calculation of the cohort default rate. (4) FEE.--A State may charge a fee to an institution of higher education that participates in the program under this part and is located in that State according to a fee structure, approved by the Secretary, that is based on the institution's cohort default rate and the State's risk of loss under this subsection. Such fee structure shall include a process by which an institution with a high cohort default rate is exempt from any fees under this paragraph if such institution demonstrates to the satisfaction of the State that exceptional mitigating circumstances, as determined by the State and approved by the Secretary, contributed to its cohort default rate.		
Section 428(b)	**See NASFAA recommendation LP-4.**	**B-20. Students' ability to change repayment plans.**
Section 428B	**See the following NASFAA recommendations:**	**B-21. PLUS provisions.**
	See NASFAA recommendation B-6.	**B-21a. Loan subsidies.**
	See NASFAA recommendation GL-11	**B-21b. PLUS adverse credit history.**
	See NASFAA recommendation GL-12.	**B-21c. PLUS borrowing limit.**

Current Law	Suggested Amendment	Rationale
Section 428C(a) (3) DEFINITION OF ELIGIBLE BORROWERS.-- ..... (C)(i) A married couple, each of whom has eligible student loans, may be treated as if such couple were an individual borrowing under subparagraphs (A) and (B) if such couple agrees to be held jointly and severally liable for the repayment of a consolidation loan, without regard to the amounts of the respective loan obligations that are to be consolidated, and without regard to any subsequent change that may occur in such couple's marital status. (ii) Only one spouse in a married couple applying for a consolidation loan under this subparagraph need meet any of the requirements of subsection (b) of this section, except that each spouse shall-- (I) individually make the initial certification that no other application is pending in accordance with subsection (b)(1)(A); and (II) agree to notify the holder concerning any change of address in accordance with subsection (b)(4).	**Retain current law.**	**B-22. Loan consolidation for married borrowers.** After examining possible modification to the HEA to respond to equity concerns in the case of borrowers who consolidated their loans and, later, divorce, NASFAA recommends retaining current law. After exploring these alternatives, we concluded that no alternative would meet an equity test in the case of divorced individuals and that none were realistic when confronting the realities of the legal system and divorce courts. Therefore, while equity concerns remain, NASFAA believes they are best decided in divorce settlements or by the courts. At the same, time we continue to believe the option of consolidation for married borrowers is a useful tool, in certain cases, where each individual is adequately counseled about loan costs and possible future consequences, including divorce.
Section 428C(a)(4)	**See NASFAA recommendation LP-5.**	**B-23. Consolidation FFEL and Direct Loan Programs.**

Current Law	Suggested Amendment	Rationale
Section 428C(b)(4) & (c)(4)	**See NASFAA recommendation B-6.**	**B-24. Loan subsidies.**
Section 428C(a)(4) & (c)	**See NASFAA recommendation LP-5.**	**B-25. Consolidation FFEL and Direct Loan Programs.**
Section 428G (a) MULTIPLE DISBURSEMENT REQUIRED.-- (1) TWO DISBURSEMENTS REQUIRED.--The proceeds of any loan made, insured, or guaranteed under this part that is made for any period of enrollment shall be disbursed in 2 or more installments, none of which exceeds one-half of the loan.	Section 428G is amended to read as follows: "(a) MULTIPLE DISBURSEMENT REQUIRED.-- (1) TWO DISBURSEMENTS REQUIRED.--The proceeds of any loan made, insured, or guaranteed under this part that is made for any period of enrollment **greater than one semester, one trimester, one quarter, or four months,** shall be disbursed in 2 or more installments, none of which exceeds one-half of the loan."	**B-26. Single disbursement of loans for short loan periods.** The suggested amendment would permit single disbursement of a loan if the loan period is one semester, trimester, quarter, or four months. NASFAA believes that requiring multiple disbursements of loans for short loan periods creates undue and unnecessary hardships for students, and unnecessary administrative burden for schools.
Section 428G (b) DISBURSEMENT AND ENDORSEMENT REQUIREMENTS.-- (1) FIRST YEAR STUDENTS.--The first installment of the proceeds of any loan made, insured, or guaranteed under this part that is made to a student borrower who is entering the first year of a program of undergraduate education, and who has not previously obtained a loan under this part, shall not (regardless of the amount of such loan or the duration of the period of enrollment) be presented by the institution to the student for endorsement until 30 days after the borrower begins a course of	Section 428G is amended to read as follows: "(b) DISBURSEMENT AND ENDORSEMENT REQUIREMENTS.-- (1) FIRST YEAR STUDENTS.--The first installment of the proceeds of any loan made, insured, or guaranteed under this part that is made to a student borrower who is entering the first year of a program of undergraduate education, and who has not previously obtained a loan under this part, **~~shall not~~ may not, at the option of the eligible institution** (regardless of the amount of such loan or the duration of the period of enrollment) be presented **~~by the institution~~ to** the student for	**B-27. Delayed disbursement for first-time, first-year borrowers.** The suggested amendment would permit schools to impose, at their option, 30-day delayed disbursement for first-time, first-year borrowers. This is a requirement under current law. Evidence shows that imposing this requirement on all first-time, first-year borrowers does little to prevent defaults. Given the hardships that some borrowers subject to this provision have experienced, NASFAA recommends eliminating the requirement for all schools but

Current Law	Suggested Amendment	Rationale
study, but may be delivered to the eligible institution prior to the end of that 30-day period.	endorsement until 30 days after the borrower begins a course of study, but may be delivered to the eligible institution prior to the end of that 30-day period."	permitting schools to impose it as a default management tool if they choose. First-time, first-year borrowers without access to loans during this period often are unable to purchase books and related educational materials necessary to keep up with their studies during their initial higher education experience. Several NASFAA members reported that some are even forced to drop out of school as a result.
Section 428G(d) (2) STUDENTS RECEIVING OVER-AWARDS.--If the sum of a disbursement for any student and the other financial aid obtained by such student exceeds the amount of assistance for which the student is eligible under this title, the institution such student is attending shall withhold and return to the lender or escrow agent the portion (or all) of such installment that exceeds such eligible amount, except that overawards permitted pursuant to section 443(b)(4) of the Act shall not be construed to be overawards for purposes of this paragraph. Any portion (or all) of a disbursement installment which is so returned shall be credited to the borrower's loan and treated as a prepayment thereon.	Section 428G(d) is amended to read as follows: "(2) STUDENTS RECEIVING OVER-AWARDS.--If the sum of a disbursement for any student and the other financial aid obtained by such student exceeds the amount of assistance for which the student is eligible under this title **by more than $300,** the institution such student is attending shall withhold and return to the lender or escrow agent the portion (or all) of such installment that exceeds such eligible amount, except that overawards permitted pursuant to section 443(b)(4) of the Act shall not be construed to be overawards for purposes of this paragraph. Any portion (or all) of a disbursement installment which is so returned shall be credited to the borrower's loan and treated as a prepayment thereon."	**B-28. Treatment of overawards.** The suggested amendment would allow an overaward tolerance of $300 in the FFEL and Direct Loan programs. Given the many circumstances under which an overaward may be created, and the fact that modest overawards are permitted in other Title IV programs, NASFAA recommends that similar treatment be permitted in the loan programs. NASFAA believes that a $300 overaward is low enough to prevent the borrower from incurring unreasonable excess debt, but sufficient to avert costly and inconvenient administrative burdens for students and schools.

Current Law	Suggested Amendment	Rationale
Section 428H(b)(1)(H	**See NASFAA recommendation LP-3a.**	**B-29. Insurance premium and federal financing.**
Section 428H(d)	**See the following NASFAA recommendations:**	**B-30. Unsubsidized loan provisions.**
	See NASFAA recommendation GL-6.	**B-30a. Application of loan proration.**
	See NASFAA recommendation GL-7.	**B-30b. Graduate/Professional annual loan limits.**
	See NASFAA recommendation GL-8.	**B-30c. Increases in loan limits.**
	See NASFAA recommendation GL-10.	**B-30d. School authority to set lower institutional loan limits.**
	See NASFAA recommendation GL-13b & d.	**B-30e. Unsubsidized loan annual limit.**
Section 42H(e)	**See NASFAA recommendation B-6.**	**B-31. Loan subsidies.**
Section 428H(f)	**See NASFAA recommendation LP-3b.**	**B-32. Origination fee.**
Section 428H(h)	**See NASFAA recommendation LP-3a.**	**B-33. Insurance premium and federal financing.**
Section 428J	**See NASFAA recommendation B-6.**	**B-34. Loan subsidies.**
Section 432 (m) COMMON FORMS AND FORMATS.-- (1) COMMON GUARANTEED STUDENT LOAN APPLICATION FORM AND	Section 432 is amended to read as follows: "(m) COMMON FORMS AND FORMATS.-- (1) COMMON GUARANTEED STUDENT LOAN APPLICATION FORM AND	**B-35. Choice of lender.** The suggested amendment would permit a school to select a FFEL lender for a borrower if the borrower empowers the school to do so

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part B-Federal Family Education Loan Program

Current Law	Suggested Amendment	Rationale
PROMISSORY NOTE.-- (A) IN GENERAL.--The Secretary, in cooperation with representatives of guaranty agencies, eligible lenders, and organizations involved in student financial assistance, shall prescribe a common application form and promissory note to be used for applying for loans under part B of this title. (B) REQUIREMENTS.--The form prescribed by the Secretary shall-- (i) use clear, concise, and simple language to facilitate understanding of loan terms and conditions by applicants; (ii) be formatted to require the applicant to clearly indicate a choice of lender; and (iii) permit, to the maximum extent practicable, application for any loan under part B. (C) APPROVAL OF FORM.--The Secretary shall approve a form for use not later than 360 days after the date of enactment of the Higher Education Amendments of 1992. (D) SPECIAL RULE.--Nothing in this section shall be construed to limit the development of electronic forms and procedures.	PROMISSORY NOTE.-- (A) IN GENERAL.--The Secretary, in cooperation with representatives of guaranty agencies, eligible lenders, and organizations involved in student financial assistance, shall prescribe a common application form and promissory note to be used for applying for loans under part B of this title. (B) REQUIREMENTS.--The form prescribed by the Secretary shall-- (i) use clear, concise, and simple language to facilitate understanding of loan terms and conditions by applicants; (ii) be formatted to- (I) **allow** the applicant to clearly indicate a choice of lender, **and** **(II) if, the applicant grants the eligible institution the authority, the eligible institution to indicate a choice of lender on behalf of the applicant; and** (iii) permit, to the maximum extent practicable, application for any loan under part B. (C) APPROVAL OF FORM.--The Secretary shall approve a form for use not later than 360 days after the date of enactment of the Higher Education Amendments of 1992. (D) SPECIAL RULE.--Nothing in this section shall be construed to limit the development of electronic forms and procedures."	by leaving the lender choice section of the loan application blank. This amendment would allow borrowers who have no previous relationships with lenders to let schools select for them lenders that offer good service. If the borrower does indicate a choice of lender, then the school would be required to honor that choice.

Current Law	Suggested Amendment	Rationale
Section 432 (k) PROGRAM OF ASSISTANCE FOR BORROWERS.-- (1) IN GENERAL.--The Secretary shall undertake a program to encourage corporations and other private and public employers, including the Federal Government, to assist borrowers in repaying loans received under this title, including providing employers with options for payroll deduction of loan payments and offering loan repayment matching provisions as part of employee benefit packages. (2) PUBLICATION.--The Secretary shall publicize models for providing the repayment assistance described in paragraph (1) and each year select entities that deserve recognition, through means devised by the Secretary, for the development of innovative plans for providing such assistance to employees. (3) RECOMMENDATION.--Within 1 year after the date of enactment of the Higher Education Amendments of 1992, the Secretary shall recommend to the appropriate committees in the Senate and House of Representatives changes to statutes that could be made in order to further encourage such efforts.	Section 432(k) is amended as follows: "(k)PROGRAM OF ASSISTANCE FOR BORROWERS.-- (1) IN GENERAL.--The Secretary shall undertake a program to encourage corporations and other private and public employers, including the Federal Government, to assist borrowers in repaying loans received under this title, including providing employers with options for payroll deduction of loan payments and offering loan repayment matching provisions as part of employee benefit packages. (2) PUBLICATION.--The Secretary shall publicize models for providing the repayment assistance described in paragraph (1) and each year select entities that deserve recognition, through means devised by the Secretary, for the development of innovative plans for providing such assistance to employees. (3) RECOMMENDATION.-- Within 1 year after the date of enactment of ~~the Higher Education Amendments of 1992~~ **this Act**, the Secretary shall recommend to the appropriate committees in the Senate and House of Representatives changes to statutes that could be made in order to further encourage such efforts.	**B-36. Program of assistance for borrowers.** This program of assistance for borrowers was enacted as part of the Higher Education Amendment of 1992. NASFAA believes that this section could be an additional, positive way to help borrowers manage their loan repayments. To date, NASFAA has no knowledge of the Secretary's efforts to study or implement this section and requests that the provisions be reinforced.

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National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part B-Federal Family Education Loan Program

Current Law	Suggested Amendment	Rationale
No comparable legislative provision.	Section 432(m)(1) is amended by adding a new subparagraph that reads as follows: **"(E) Master Promissory Note - Within 180 days of enactment of this Act, the Secretary, in cooperation with representatives of guaranty agencies, eligible lenders, institutions, students, and organizations involved in student financial assistance, shall develop and approve a master promissory note that will allow for a multi-year line-of-credit under part B and part D of this title."**	**B-37. Master promissory note** NASFAA recommends the Secretary, cooperating with the lending community and schools, create a master promissory note which would bring efficiencies and simplicity to the process of receiving loans. Students easily could access loan funds and better manage their cash flow and debt load. This line-of-credit concept would need to be implemented within 180 days of the date of enactment of the law.
No comparable legislative provision.	Section 432 is amended by adding a new subsection that reads as follows: **"(q) BORROWER SIMPLIFICATION REQUIREMENTS-- The Secretary shall, by regulation developed in consultation with guaranty agencies, lenders, institutions of higher education, secondary markets, students, third party servicers and other organizations involved in providing loans under this part, promulgate regulations requiring -- (1) a holder of a loan to sell such a loan to another holder at the request of the borrower; and (2) a holder of multiple loans for one borrower to service such loans as one loan."**	**B-38. Borrower rights for sale of loan.** The suggested amendment would (1) mandate that holders of a loan must sell such loan at the request of a borrower with multiple loans so that the borrower will have a single holder of their loans; and (2) mandate administrative consolidation of loans at the request of a borrower in those cases where multiple loans are with a single holder. NASFAA makes this recommendation to assist in reducing defaults or confusion in the repayment of student loans and to simplify the repayment process for the borrower. Under the provisions of this recommendation, holders would need to work out the arrangements so that a borrower with multiple loans at more than one holder would result in a single holder

Current Law	Suggested Amendment	Rationale
		of such borrower's loans. Also, in the case of a borrower with multiple loans with one holder, the borrower would have the right to have those loans administratively consolidated so that the borrower would only have to write one loan repayment check.
No comparable legislative provision.	Section 432 is amended by addition a new subsection that reads as follows: **"(r) Office of Student Loan Ombudsman.** **(1) The Secretary shall create an Office of Student Loan Ombudsman. Such office shall generally resolve problems and complaints for borrowers of any loan authorized under this title. The Office of Student Loan Ombudsman shall** **(A) provide borrowers with information on the status of their loans using existing data resources or other reasonable methods,** **(B) seek to resolve problems borrowers may have with their loans at any point in the lending or repayment process,** **(C) provide borrowers with information concerning their responsibilities in resolving complaints,** **(D) suggest solutions in resolving complaints,** **(E) work to prevent loan defaults, and** **(F) recommend to the Secretary and Congress procedures, policies, or changes in statute or regulations to prevent defaults or**	**B-39. Office of Student Loan Ombudsman.** NASFAA suggests a HEA amendment creating an Office of Student Loan Ombudsman within the Department for resolving student loan complaints. Ombudsman offices are not unfamiliar on college campuses and NASFAA believes such a Department office would be of great benefit for students who have difficulties with their loans and, thereby, reduce defaults or delinquencies.

Current Law	Suggested Amendment	Rationale
	problems in the loan programs for borrowers. **(2) The office established under (1) shall be operational one year after the date of enactment of this Act."**	
Section 433. STUDENT LOAN INFORMATION BY ELIGIBLE LENDERS.	Section 433 is amended by adding a new subsection that reads as follows: **"(f) Easily understandable disclosures--To the extent practicable, all disclosures required by this section shall be made in simple and easily understandable terms."**	**B-40. Understandable disclosures by lenders.** The suggested amendment would require all disclosures mandated by this section, to the extent practicable, to be in simple and easily understandable terms. NASFAA believes that simple and understandable terms should be used in all communications with students and borrowers.
Section 435 (l) DEFAULT.--Except as provided in subsection (m), the term "default" includes only such defaults as have existed for (1) 180 days in the case of a loan which is repayable in monthly installments, or (2) 240 days in the case of a loan which is repayable in less frequent installments.	Section 435(l) is amended to read as follows: (l) DEFAULT.--Except as provided in subsection (m), the term "default" includes only such defaults as have existed for (1) **~~180~~ days 240 days** in the case of a loan which is repayable in monthly installments, or (2) **~~240~~ days 270 days** in the case of a loan which is repayable in less frequent installments."	**B-41. Number of days before a loan is declared a default.** The suggested amendment, modeled after the treatment of Federal Perkins Loans, would modify the definition of default by extending the time period in which a loan is considered in default to 240 days in the case of a loan which is repayable in monthly installments; and 270 days in the case of a loan which is repayable in less frequent installments. This change would standardize the default time period for all Title IV loans and allow additional time for due diligence efforts. NASFAA believes that these changes also will

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		increase loan collections and reduce the negative impact of defaults for borrowers.
Section 435 DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM. As used in this part: (a) ELIGIBLE INSTITUTION.-- (1) IN GENERAL. --Except as provided in paragraph (2), the term "eligible institution" means an institution of higher education, as defined in section 481, except that, for the purposes of sections 427(a)(2)(C)(i) and 428(b)(1)(M)(i), an eligible institution includes any institution that is within this definition without regard to whether such institution is participating in any program under this title and includes any institution ineligible for participation in any program under this part pursuant to paragraph (2) of this subsection.	Section 435 is amended to read as follows: "DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM. As used in this part: (a) ELIGIBLE INSTITUTION.-- (1) IN GENERAL. ~~-Except as provided in paragraph (2),~~ the term "eligible institution" means an institution of higher education, as defined in section 481, except that, for the purposes of sections 427(a)(2)(C)(i) and 428(b)(1)(M)(i), an eligible institution includes any institution that is within this definition without regard to whether such institution is participating in any program under this title and includes any institution ineligible for participation in any program under this part pursuant to paragraph (2) of this subsection.	**B-42. Elimination of cohort default rate as sole means of disqualifying schools.** The suggested amendment would discontinue the use of the cohort default rate as a singular means of declaring an institution ineligible for participation in the FFEL or Direct Loan programs. NASFAA suggests that institutional eligibility for the federal loan programs and other Title IV student aid programs be determined using certification and recertification procedures, and using cohort default rates as one of many factors. NASFAA does not believe that a school's cohort default rate, when looked at alone, is an appropriate or accurate measure of institutional quality.
(2) INELIGIBILITY BASED ON HIGH DEFAULT RATES.--(A) An institution whose cohort default rate is equal to or greater than the threshold percentage specified in subparagraph (B) for each of the three most recent fiscal years for which data are available shall not be eligible to participate in a program under this part for the fiscal year for which the determination is made and for the two succeeding fiscal years, unless, within 30 days	~~(2) INELIGIBILITY BASED ON HIGH DEFAULT RATES.--(A) An institution whose cohort default rate is equal to or greater than the threshold percentage specified in subparagraph (B) for each of the three most recent fiscal years for which data are available shall not be eligible to participate in a program under this part for the fiscal year for which the determination is made and for the two succeeding fiscal~~	Further, use of such a measure alone discourages schools from recruiting students who, from several statistical analysis studies, have characteristics showing that they are more likely to default on a student loan. Given the steps taken by the Congress and the Department of Education to improve the Department of Education's multiple gatekeeping and oversight functions, we

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Current Law	Suggested Amendment	Rationale
of receiving notification from the Secretary of the loss of eligibility under this paragraph, the institution appeals the loss of its eligibility to the Secretary. The Secretary shall issue a decision on any such appeal within 45 days after its submission. Such decision may permit the institution to continue to participate in a program under this part if-- (i) the institution demonstrates to the satisfaction of the Secretary that the Secretary's calculation of its cohort default rate is not accurate, and that recalculation would reduce its cohort default rate for any of the three fiscal years below the threshold percentage specified in subparagraph (B); or (ii) there are, in the judgment of the Secretary, exceptional mitigating circumstances that would make the application of this paragraph inequitable. During such appeal, the Secretary may permit the institution to continue to participate in a program under this part. (B) For purposes of determinations under subparagraph (A), the threshold percentage is-- (i) 35 percent for fiscal year 1991 and 1992; (ii) 30 percent for fiscal year 1993; and (iii) 25 percent for any succeeding fiscal year.	~~years, unless, within 30 days of receiving notification from the Secretary of the loss of eligibility under this paragraph, the institution appeals the loss of its eligibility to the Secretary. The Secretary shall issue a decision on any such appeal within 45 days after its submission. Such decision may permit the institution to continue to participate in a program under this part if--~~ ~~(i) the institution demonstrates to the satisfaction of the Secretary that the Secretary's calculation of its cohort default rate is not accurate, and that recalculation would reduce its cohort default rate for any of the three fiscal years below the threshold percentage specified in subparagraph (B); or~~ ~~(ii) there are, in the judgment of the Secretary, exceptional mitigating circumstances that would make the application of this paragraph inequitable. During such appeal, the Secretary may permit the institution to continue to participate in a program under this part.~~ ~~(B) For purposes of determinations under subparagraph (A), the threshold percentage is--~~ ~~(i) 35 percent for fiscal year 1991 and 1992;~~ ~~(ii) 30 percent for fiscal year 1993; and~~ ~~(iii) 25 percent for any succeeding fiscal~~	believe that federal financial interests will be protected using this more equitable and representative assessment of an institution's quality. Further, postsecondary institutions have little direct control over defaults and for preventing defaults beyond their loan counseling activities. These activities have markedly improved over the last ten years as new counseling techniques and new delivery systems, including the use of improved communication technologies, have become available. In sum, NASFAA believes the Department's multiple oversight and certification controls have improved to the point where this must be the focus of determining institutional eligibility for Title IV funds. The use of cohort default rates should be only one aspect of determining institutional quality.

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Current Law	Suggested Amendment	Rationale
	~~year.~~	
(C) Until July 1, 1998, this paragraph shall not apply to any institution that is--	~~(C) Until July 1, 1998, this paragraph shall not apply to any institution that is--~~	
(i) a part B institution within the meaning of section 322(2) of this Act;	~~(i) a part B institution within the meaning of section 322(2) of this Act;~~	
(ii) a tribally controlled community college within the meaning of section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978; or	~~(ii) a tribally controlled community college within the meaning of section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978; or~~	
(iii) a Navajo Community College under the Navajo Community College Act.	~~(iii) a Navajo Community College under the Navajo Community College Act.~~	
(3) APPEALS BASED UPON ALLEGATIONS OF IMPROPER LOAN SERVICING.--An institution that--	~~(3) APPEALS BASED UPON ALLEGATIONS OF IMPROPER LOAN SERVICING.--An institution that--~~	
(A) is subject to loss of eligibility for the Federal Family Education Loan Program pursuant to paragraph (2)(A) of this subsection;	~~(A) is subject to loss of eligibility for the Federal Family Education Loan Program pursuant to paragraph (2)(A) of this subsection;~~	
(B) is subject to loss of eligibility for the Federal Supplemental Loans for Students pursuant to section 428A(a)(2); or	~~(B) is subject to loss of eligibility for the Federal Supplemental Loans for Students pursuant to section 428A(a)(2); or~~	
(C) is an institution whose cohort default rate equals or exceeds 20 percent for the most recent year for which data are available;	~~(C) is an institution whose cohort default rate equals or exceeds 20 percent for the most recent year for which data are available;~~	
may include in its appeal of such loss or rate a defense based on improper loan servicing (in addition to other defenses). In any such appeal, the Secretary shall take whatever steps are necessary to ensure that such institution has access to a representative sample (as determined by the Secretary) of the relevant	~~may include in its appeal of such loss or rate a defense based on improper loan servicing (in addition to other defenses). In any such appeal, the Secretary shall take whatever steps are necessary to ensure that such institution has access to a representative~~	

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loan servicing and collection records of the affected guaranty agencies and loan servicers for a reasonable period of time, not to exceed 30 days. The Secretary shall reduce the institution's cohort default rate to reflect the percentage of defaulted loans in the representative sample that are required to be excluded pursuant to subsection (m)(1)(B).	~~sample (as determined by the Secretary) of the relevant loan servicing and collection records of the affected guaranty agencies and loan servicers for a reasonable period of time, not to exceed 30 days. The Secretary shall reduce the institution's cohort default rate to reflect the percentage of defaulted loans in the representative sample that are required to be excluded pursuant to subsection (m)(1)(B).~~"	
Section 435 DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM. As used in this part: (a) ELIGIBLE INSTITUTION.-- (1) IN GENERAL. --Except as provided in paragraph (2), the term "eligible institution" means an institution of higher education, as defined in section 481, except that, for the purposes of sections 427(a)(2)(C)(i) and 428(b)(1)(M)(i), an eligible institution includes any institution that is within this definition without regard to whether such institution is participating in any program under this title and includes any institution ineligible for participation in any program under this part pursuant to paragraph (2) of this subsection. (2) INELIGIBILITY BASED ON HIGH DEFAULT RATES.--(A) An institution whose	Section 435 is amended to read as follows: "DEFINITIONS FOR STUDENT LOAN INSURANCE PROGRAM. As used in this part: (a) ELIGIBLE INSTITUTION.-- (1) IN GENERAL. --Except as provided in paragraph (2), the term "eligible institution" means an institution of higher education, as defined in section 481, except that, for the purposes of sections 427(a)(2)(C)(i) and 428(b)(1)(M)(i), an eligible institution includes any institution that is within this definition without regard to whether such institution is participating in any program under this title and includes any institution ineligible for participation in any program under this part pursuant to paragraph (2) of this subsection. (2) INELIGIBILITY BASED ON HIGH DEFAULT RATES.--(A) An institution whose	**B-43. Cohort default rate definition modification.** The suggested amendment would exempt from elimination from the loan programs due to high default rates schools that (1) have less than 10 percent of its enrollment attending at least half-time borrow under this Part or under Part D, or (2) has less than $50,000 in defaults. The suggested amendment would also grant automatic appeals of elimination due to high default rates to schools whose matriculated Pell-eligible population is greater than two-thirds of the school's undergraduate matriculated enrollment. Under the current default rate calculation, schools that make an effort to keep costs down and/or counsel students away from borrowing are, in effect, penalized. Such schools should

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cohort default rate is equal to or greater than the threshold percentage specified in subparagraph (B) for each of the three most recent fiscal years for which data are available shall not be eligible to participate in a program under this part for the fiscal year for which the determination is made and for the two succeeding fiscal years, unless, within 30 days of receiving notification from the Secretary of the loss of eligibility under this paragraph, the institution appeals the loss of its eligibility to the Secretary. The Secretary shall issue a decision on any such appeal within 45 days after its submission. Such decision may permit the institution to continue to participate in a program under this part if-- (i) the institution demonstrates to the satisfaction of the Secretary that the Secretary's calculation of its cohort default rate is not accurate, and that recalculation would reduce its cohort default rate for any of the three fiscal years below the threshold percentage specified in subparagraph (B); or (ii) there are, in the judgment of the Secretary, exceptional mitigating circumstances that would make the application of this paragraph inequitable. During such appeal, the Secretary may permit the institution to continue to participate in a program under this part. (B) For purposes of determinations under	cohort default rate is equal to or greater than the threshold percentage specified in subparagraph (B) for each of the three most recent fiscal years for which data are available shall not be eligible to participate in a program under this part for the fiscal year for which the determination is made and for the two succeeding fiscal years, unless, within 30 days of receiving notification from the Secretary of the loss of eligibility under this paragraph, the institution appeals the loss of its eligibility to the Secretary. The Secretary shall issue a decision on any such appeal within 45 days after its submission. Such decision may permit the institution to continue to participate in a program under this part if-- (i) the institution demonstrates to the satisfaction of the Secretary that the Secretary's calculation of its cohort default rate is not accurate, and that recalculation would reduce its cohort default rate for any of the three fiscal years below the threshold percentage specified in subparagraph (B); or (ii) there are, in the judgment of the Secretary, exceptional mitigating circumstances that would make the application of this paragraph inequitable. During such appeal, the Secretary may permit the institution to continue to participate in a program under this part. (B) For purposes of determinations under	not find their eligibility at risk for such efforts and NASFAA would grant relief for those institutions by not counting in a three-year cohort default rate eligibility determination any year in which it meets either of the above tests. In other words, if a school had a default rate of 26 percent in one of the rolling three test years, but had fewer than 10 percent of its enrollment who attend at least half-time who borrow or had less than $50,000 in default in that year, then the result would be the same as if the school had a default rate lower than 25 percent: It would not count toward making the school ineligible. Aware that many defaults come from low-income groups often most in need of educational services, NASFAA recommends adding an appeal circumstance so as not to punish those schools whose overwhelming mission is the service of low-income individuals. As such, the amendment adds an appeal process under which under which a school may challenge a default rate cut-off to include schools whose Pell-eligible population is greater than two-thirds of the school's undergraduate enrollment. If the school proves this, then the Secretary must approve such an appeal.

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subparagraph (A), the threshold percentage is-- (i) 35 percent for fiscal year 1991 and 1992; (ii) 30 percent for fiscal year 1993; and (iii) 25 percent for any succeeding fiscal year. (C) Until July 1, 1998, this paragraph shall not apply to any institution that is-- (i) a part B institution within the meaning of section 322(2) of this Act; (ii) a tribally controlled community college within the meaning of section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978; or (iii) a Navajo Community College under the Navajo Community College Act.	subparagraph (A), the threshold percentage is-- (i) 35 percent for fiscal year 1991 and 1992; (ii) 30 percent for fiscal year 1993; and (iii) 25 percent for any succeeding fiscal year. (C) Until July 1, **2002**, this paragraph shall not apply to any institution that ~~is~~-- (i) **is** a part B institution within the meaning of section 322(2) of this Act; (ii) **is** a tribally controlled community college within the meaning of section 2(a)(4) of the Tribally Controlled Community College Assistance Act of 1978; ~~or~~ (iii) **is** a Navajo Community College under the Navajo Community College Act; **(iv) has less than 10 percent of its enrollment attending at least half-time borrow under this Part or under Part D; or** **(v) has less than $50,000 in defaults**.	The amendment would also extend through the period of the next reauthorization the default rate exemption for all current categories of schools.
(3) APPEALS BASED UPON ALLEGATIONS OF IMPROPER LOAN SERVICING.--An institution that-- (A) is subject to loss of eligibility for the Federal Family Education Loan Program pursuant to paragraph (2)(A) of this subsection; (B) is subject to loss of eligibility for the Federal Supplemental Loans for Students pursuant to section 428A(a)(2); or (C) is an institution whose cohort default rate equals or exceeds 20 percent for the most	(3) APPEALS BASED UPON ALLEGATIONS OF IMPROPER LOAN SERVICING.--An institution that-- (A) is subject to loss of eligibility for the Federal Family Education Loan Program pursuant to paragraph (2)(A) of this subsection; (B) is subject to loss of eligibility for the Federal Supplemental Loans for Students pursuant to section 428A(a)(2); or (C) is an institution whose cohort default rate equals or exceeds 20 percent for the most	

Current Law	Suggested Amendment	Rationale
recent year for which data are available; may include in its appeal of such loss or rate a defense based on improper loan servicing (in addition to other defenses). In any such appeal, the Secretary shall take whatever steps are necessary to ensure that such institution has access to a representative sample (as determined by the Secretary) of the relevant loan servicing and collection records of the affected guaranty agencies and loan servicers for a reasonable period of time, not to exceed 30 days. The Secretary shall reduce the institution's cohort default rate to reflect the percentage of defaulted loans in the representative sample that are required to be excluded pursuant to subsection (m)(1)(B).	recent year for which data are available; may include in its appeal of such loss or rate a defense based on improper loan servicing (in addition to other defenses). In any such appeal, the Secretary shall take whatever steps are necessary to ensure that such institution has access to a representative sample (as determined by the Secretary) of the relevant loan servicing and collection records of the affected guaranty agencies and loan servicers for a reasonable period of time, not to exceed 30 days. The Secretary shall reduce the institution's cohort default rate to reflect the percentage of defaulted loans in the representative sample that are required to be excluded pursuant to subsection (m)(1)(B). **(4) APPEALS BASED ON STUDENT POPULATION SERVED** **-An institution that is subject to loss of eligibility for loans under this part or under Part D pursuant to paragraph (2)(A) of this subsection shall be granted an appeal by the Secretary if its matriculated Pell-eligible population is greater than two-thirds of the school's undergraduate matriculated enrollment."**	
Section 435(d) (5) DISQUALIFICATION FOR USE OF CERTAIN INCENTIVES.--The term ``eligible lender'' does not include any lender that the	Section 435(d) is amended by adding a new subsection that reads as follows: **"(7) The Inspector General of the Department of Education shall investigate**	**B-44. Prohibiting use of certain incentives.** NASFAA questions the enforcement of this section which prohibits several incentives by eligible lenders. NASFAA recommends adding

Current Law	Suggested Amendment	Rationale
Secretary determines, after notice and opportunity for a hearing, has after the date of enactment of this paragraph-- (A) offered, directly or indirectly, points, premiums, payments, or other inducements, to any educational institution or individual in order to secure applicants for loans under this part; (B) conducted unsolicited mailings to students of student loan application forms, except to students who have previously received loans under this part from such lender; (C) offered, directly or indirectly, loans under this part as an inducement to a prospective borrower to purchase a policy of insurance or other product; or (D) engaged in fraudulent or misleading advertising. (6) REBATE FEE REQUIREMENT.--To be an eligible lender under this part, an eligible lender shall pay rebate fees in accordance with section 428C(f).	**the enforcement of the provisions of paragraph (5) and report to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate within one year of the date of enactment of this Act."**	language to require a Department of Education Inspector General report in this area, with follow-up law enforcement action as necessary to clean up reported problem areas.
Section 435 (m) COHORT DEFAULT RATE.-- (1) IN GENERAL.--(A) Except as provided in paragraph (2), the term ``cohort default rate" means, for any fiscal year in which 30 or more current and former students at the institution enter repayment on loans under section 428,	Section 435(m) is amended as follows: "(m) COHORT DEFAULT RATE.-- (1) IN GENERAL.--(A) Except as provided in paragraph (2), the term ``cohort default rate" means, for any fiscal year in which 30 or more current and former students at the institution enter repayment on loans under section 428,	**B-45. Loans included in cohort default rate calculation.** The suggested amendment would exclude loans not qualifying for reinsurance due to incomplete servicing by the servicer in the calculation of a cohort default rate.

Current Law	Suggested Amendment	Rationale
428A, or 428H, received for attendance at the institution, the percentage of those current and former students who enter repayment on such loans (or on the portion of a loan made under section 428C that is used to repay any such loans) received for attendance at that institution in that fiscal year who default before the end of the following fiscal year. (B) In determining the number of students who default before the end of such fiscal year, the Secretary shall include only loans for which the Secretary or a guaranty agency has paid claims for insurance, and, in considering appeals with respect to cohort default rates pursuant to subsection (a)(3), exclude any loans which, due to improper servicing or collection, would, as demonstrated by the evidence submitted in support of the institution's timely appeal to the Secretary, result in an inaccurate or incomplete calculation of such cohort default rate.	428A, or 428H, received for attendance at the institution, the percentage of those current and former students who enter repayment on such loans (or on the portion of a loan made under section 428C that is used to repay any such loans) received for attendance at that institution in that fiscal year who default before the end of the following fiscal year. (B) In determining the number of students who default before the end of such fiscal year, the Secretary shall include only loans for which the Secretary or a guaranty agency has paid claims for insurance, and, in considering appeals with respect to cohort default rates pursuant to subsection (a)(3), exclude any loans which, due to improper servicing or collection, would, as demonstrated by the evidence submitted in support of the institution's timely appeal to the Secretary, result in an inaccurate or incomplete calculation of such cohort default rate. **Such excluded loans shall include but are not limited to loans not qualifying for reinsurance due to improper servicing."**	NASFAA suggests that such loans are obviously deficient in some material matter since they do not qualify for reinsurance and schools should not be penalized for a default that likely is the fault of the servicer.
Section 435	**See NASFAA recommendation GL-6.**	**B-46. Application of loan proration.**
Section 437	**See NASFAA recommendation B-6.**	**B-47. Loan subsidies.**

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part B-Federal Family Education Loan Program

Current Law	Suggested Amendment	Rationale
Section 437	See NASFAA recommendation AP-3.	B-48. Bankruptcy and resumption of Title IV eligibility.
Section 437A	See NASFAA recommendation B-6.	B-49. Loan subsidies.
Section 438(c)	See NASFAA recommendation LP-3b.	B-50. Origination fee.

Part C
Federal Work-Study Programs

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part C-Federal Work Study Programs

Current Law	Suggested Amendment	Rationale
Section 441(c) COMMUNITY SERVICES.--For purposes of this part, the term ``community services" means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs, including-- (1) such fields as health care, child care, literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, and community improvement; (2) work in a project, as defined in section 101(20) of the National and Community Service Act of 1990 (42 U.S.C. 12511(20)); (3) support services to students with disabilities; and	Section 441 is amended to read as follows: "(c) COMMUNITY SERVICES.--For purposes of this part, the term ``community services" means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs, including-- (1) such fields as health care, child care, literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, crime prevention and control, recreation, rural development, and community improvement; (2) work in a project, as defined in section 101(20) of the National and Community Service Act of 1990 (42 U.S.C. 12511(20)); (3) support services to students with disabilities, **including enrolled students at the institution**; and"	**C-1. Definition of community service.** The suggested amendment would specify that eligible community services include support services to students with disabilities at the institution.
Section 442(a)(4)(A) Notwithstanding any other provision of this section, the Secretary may allocate an amount equal to not more than 10 percent of the amount by which the amount appropriated in any fiscal year to carry out this	**Strike section 442(a)(4).**	**C-2. Appropriations bonus.** The suggested amendment would eliminate this section which provides that when FWS appropriations are above $700 million, 10 percent of such excess goes to schools where

Current Law	Suggested Amendment	Rationale
part exceeds $700,000,000 among eligible institutions described in subparagraph (B). (B) In order to receive an allocation pursuant to subparagraph (A) an institution shall be an eligible institution from which 50 percent or more of the Pell Grant recipients attending such eligible institution graduate or transfer to a 4-year institution of higher education.		50 percent or more of its Federal Pell Grant recipients graduate or transfer to a four-year institution. NASFAA believes that the goal of this provision is laudable but recognizes that it accomplishes only what schools and students should be doing anyway. NASFAA also suggests that all schools eligible for FWS need FWS funding and earmarking of funds as this section does is not in the best interest of the program.
Section 442(e) REALLOCATION OF EXCESS ALLOCATIONS.--(1) If institutions return to the Secretary any portion of the sums allocated to such institutions under this section for any fiscal year, the Secretary shall reallot such excess to eligible institutions which used at least 10 percent of the total amount of funds granted to such institution under this section to compensate students employed in community service in the preceding fiscal year. Such excess funds shall be reallotted to institutions which qualify under this subsection on the same basis as excess eligible amounts are allocated to institutions pursuant to subsection (c). Funds received by institutions pursuant to this subsection shall be used to compensate students employed in community service.	**Retain current law.**	**C-3. Reallocation bonus.** NASFAA reaffirms its support and encouragement of using FWS funds for community service. NASFAA believes the program and goals of community service are better served through rewarding participating schools by giving priority for reallocated funds to those that use more than ten percent of FWS funds for community service than by mandating a specific level of community service spending.

Current Law	Suggested Amendment	Rationale
Section 442(e)(2) If, under paragraph (1) of this subsection, an institution returns more than 10 percent of its allocation, the institution's allocation for the next fiscal year shall be reduced by the amount returned. The Secretary may waive this paragraph for a specific institution if the Secretary finds that enforcing this paragraph would be contrary to the interest of the program.	**Retain current law.**	**C-4. Penalty for returning FWS funds.** NASFAA reaffirms this provision which requires that the subsequent year's allocation is reduced for a school that returns more than 10 percent of its allocation unless the Secretary waives this provision.
No comparable legislative language.	Section 442 is amended by adding the following new subsection: **"(g) ALLOCATION BASED ON PREVIOUS COMMUNITY SERVICE SPENDING.--(1) If the amount appropriated pursuant to section 441(b) exceeds $800 million, the Secretary shall allot 25 percent of such excess to eligible institutions which used at least 10 percent of the total amount of funds granted to such institution under this section to compensate students employed in community service in the preceding fiscal year.** **(2) Funds received by institutions pursuant to this subsection shall be used to compensate students employed in community service."**	**C-5. Allocation bonus.** The suggested amendment would add an allocation bonus so that 25 percent of appropriated funds above $800 million are distributed to schools that in the prior year allocated at least ten percent of their FWS funding for community service activities. NASFAA supports and encourages the use of FWS funds for community service, but believes its program and goals are better served by rewarding those schools that use more than ten percent use of funds for this purpose with a bonus allocation. This bonus not only rewards high involvement community service schools, but also can be an important tool for uniting the higher education community with community service organizations to increase the amount of total FWS funding since common objectives would be served by such joint legislative work.

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part C-Federal Work Study Programs

Current Law	Suggested Amendment	Rationale
Section 443(b)(2) provide that funds granted an institution of higher education, pursuant to section 443, may be used only to make payments to students participating in work-study programs, except that-- (A) in fiscal year 1994 and succeeding fiscal years, an institution shall use at least 5 percent of the total amount of funds granted to such institution under this section in any fiscal year to compensate students employed in community service, except that the Secretary may waive this subparagraph if the Secretary determines that enforcing it would cause hardship for students at an institution; and (B) an institution may use a portion of the sums granted to it to meet administrative expenses in accordance with section 489 of this Act, may use a portion of the sums granted to it to meet the cost of a job location and development program in accordance with section 446 of this part, and may transfer funds in accordance with the provisions of section 488 of this Act;	Section 443(b) is amended to read as follows: "(2) provide that funds granted an institution of higher education, pursuant to section 443, may be used only to make payments to students participating in work-study programs, except that-- (A) in fiscal year ~~1994~~ **1998** and succeeding fiscal years, an institution ~~shall use at least 5 percent~~ **is encouraged to the greatest extent possible to use** ~~of the total amount of~~ funds granted to such institution under this section in any fiscal year to compensate students employed in community service; ~~except that the Secretary may waive this subparagraph if the Secretary determines that enforcing it would cause hardship for students at an institution~~; and (B) an institution may use a portion of the sums granted to it to meet administrative expenses in accordance with section 489 of this Act, may use a portion of the sums granted to it to meet the cost of a job location and development program in accordance with section 446 of this part, and may transfer funds in accordance with the provisions of section 488 of this Act;"	**C-6. Community service requirement.** The suggested amendment would eliminate the 5 percent requirement for community service compensation. NASFAA urges schools to use FWS for community service activities, but believes incentives are more effective than mandates. NASFAA recognizes that, despite their desire to promote the program many colleges have difficulty reaching the 5 percent requirement. Some of the factors that create these difficulties include the school's location, an abundance of postsecondary institutions within a small geographic area, well-established campus and community service programs that use all available community service jobs, a shortage of community service jobs, and, an ethic within the community service community against paid work for "volunteer" activities.
Section 443(b)(3) provide that in the selection of students for employment under such work-study program, only students, who demonstrate financial need in accordance with	Section 443(b) is amended to read as follows: "(3) provide that in the selection of students for employment under such work-study program, only students, who demonstrate financial need	**C-7. Funds for non-traditional students.** The suggested amendment would eliminate percentage references to less than full-time or independent students.

Current Law	Suggested Amendment	Rationale
part F of this title, and who meet the requirements of section 484 will be assisted, except that-- (A) if the institution's grant under this part is directly or indirectly based in part on the financial need demonstrated by students who are (i) attending the institution less than full time, or (ii) independent students; and (B) if the total financial need of all such less than full-time and independent students at the institution exceeds 5 percent of the total financial need of all students at such institution, then at least 5 percent of the grant shall be made available to such less than full-time and independent students;	in accordance with part F of this title, and who meet the requirements of section 484 will be assisted, and except that-- ~~(A)~~ if the institution's grant under this part is directly or indirectly based in part on the financial need demonstrated by students who are (i) attending the institution less than full time, or (ii) independent students, ~~and~~ ~~(B) if the total financial need of all such less than full-time and independent students at the institution exceeds 5 percent of the total financial need of all students at such institution,~~ ~~then at least 5 percent of the grant~~ **then grant funds** shall be made available to such less than full-time and independent students;"	NASFAA concludes FWS funds must be available to these students if they are considered in the allocation data provided to the Secretary as required in current law. The required monitoring, however, increases administrative burden with little advantage to the intended beneficiaries. It would be more efficient to monitor institutional compliance during program reviews.
Section 443(b)(5) provide that the Federal share of the compensation of students employed in the work-study program in accordance with the agreement shall not exceed 75 percent for academic year 1993-1994 and succeeding academic years, except that the Federal share may exceed such amounts of compensation if the Secretary determines, pursuant to regulations promulgated by the Secretary establishing objective criteria for such determinations, that a Federal share in excess of such amounts is required in furtherance of the purpose of this part;	Section 443(b) is amended to read: "(5)**(A)** provide that the Federal share of the compensation of students employed in the work-study program in accordance with the agreement shall not exceed 75 percent for academic year ~~1993-1994~~ **1998-1999** and succeeding academic years, except that the Federal share may exceed such amounts of compensation if the Secretary determines, pursuant to regulations promulgated by the Secretary establishing objective criteria for such determinations, that a Federal share in excess of such amounts is required in furtherance of the purpose of this part; **and**	**C-8. FWS match.** The suggested amendment would retain the current level of campus FWS match and allow schools to waive the match for community service. NASFAA believes that the current 25 percent FWS match by schools is an appropriate commitment of funds matching those from the federal government. Many schools indicate they would have either a difficult time meeting a higher match percentage or would not be able to provide an increased match and would, in that case, forego increased FWS funding.

Current Law	Suggested Amendment	Rationale
	(B) the Federal share may exceed such amounts of compensation for community service employment in accordance with subsection (c) of section 441."	NASFAA's recommendation also gives schools the authority to waive the community service matching requirement. We envision the match would most frequently be waived for those off-campus agencies that are willing to offer service opportunities, but are financially unable to contribute the required match. This waiver recommendation parallels the administrative action taken by the Education Department in its America Reads initiative, but is broader in its application to a greater number of community service providers. We believe the flexibility afforded by this recommendation will encourage schools to use FWS funds expansively for community service purposes.
Section 443(b)(6) include provisions to make employment under such work-study program reasonably available (to the extent of available funds) to all eligible students in the institution in need thereof, and to make equivalent employment offered or arranged by the institution reasonably available (to the extent of available funds) to all students in the institution who desire such employment;	Section 443(b) is amended to read as follows: "(6) include provisions to make employment under such work-study program reasonably available (to the extent of available funds) to all eligible students in the institution in need thereof; **~~, and to make equivalent employment offered or arranged by the institution reasonably available (to the extent of available funds) to all students in the institution who desire such employment;~~**"	**C-9. Equivalent FWS-employment availability.** The suggested amendment would delete the requirement to make FWS-equivalent institutional employment reasonably available to all students desiring such employment to the extent of available funds. NASFAA believes it is inappropriate to mandate requirements for non-FWS employment.
Section 443(b)(7) provide assurances that employment made available from funds under this part will, to the maximum extent	1. Strike section 443(b)(7), and 2. amend section 441(a) to read as follows: "(a) PURPOSE.--The purpose of this part is to	**C-10. FWS purpose.** The suggested amendment would move the statement that FWS employment will align

Current Law	Suggested Amendment	Rationale
practicable, complement and reinforce the educational program or vocational goals of each student receiving assistance under this part;	stimulate and promote the part-time employment of students who are enrolled as undergraduate, graduate, or professional students and who are in need of earnings from employment to pursue courses of study at eligible institutions, **to provide assurances that employment made available from funds under this part will, to the maximum extent practicable, complement and reinforce the educational program or vocational goals of each student receiving assistance under this part**, and to encourage students receiving Federal student financial assistance to participate in community service activities that will benefit the Nation and engender in the students a sense of social responsibility and commitment to the community."	with educational programs to the maximum extent practicable to the FWS purpose section. NASFAA suggests this provision is best placed in the FWS purpose section. Retaining it in the Content of Agreements paragraph does not recognize the reality of many students who desire FWS jobs in areas other than their academic or vocational concentrations to broaden their educational experience. Some students report they prefer a FWS job not related to their academic or vocational major in order to gain other valuable, but personal, experiences.
Section 443(c) PRIVATE SECTOR EMPLOYMENT AGREEMENT.--As part of its agreement described in subsection (b), an institution of higher education may, at its option, enter into an additional agreement with the Secretary which shall-- (1) provide for the operation by the institution of a program of part-time employment of its students in work for a private for-profit organization under an arrangement between the institution and such organization that complies with the requirements of subparagraphs (A) through (D) of subsection (b)(1) and subsection	Section 443(c)(4) is amended to read as follows: "(4) provide that jobs under the work study program will be academically relevant **to the maximum extent practicable**; and"	**C-11. Academic relevance of jobs.** The suggested amendment would specify that such jobs be academically relevant to the maximum extent practicable. NASFAA believes it is critical to recognize that many students desire FWS jobs in areas outside their academic or vocational concentrations to broaden their educational experience. Some students report they prefer a FWS job not related to their academic or vocational major in order to gain other valuable, but personal, experiences.

Current Law	Suggested Amendment	Rationale
(b)(3); (2) provide that the institution will use not more than 25 percent of the funds made available to such institution under this part for any fiscal year for the operation of the program described in paragraph (1); (3) provide that, notwithstanding subsection (b)(5), the Federal share of the compensation of students employed in such program will not exceed 60 percent for academic years 1987-1988 and 1988-1989, 55 percent for academic year 1989-1990, and 50 percent for academic year 1990-1991 and succeeding academic years, and that the non-Federal share of such compensation will be provided by the private for-profit organization in which the student is employed; (4) provide that jobs under the work study program will be academically relevant; and (5) provide that the for-profit organization will not use funds made available under this part to pay any employee who would otherwise be employed by the organization.		
Section 445. FLEXIBLE USE OF FUNDS. (a) CARRY-OVER AUTHORITY.--(1) Of the sums granted to an eligible institution under this part for any fiscal year, 10 percent may, at the discretion of the institution, remain available for expenditure during the succeeding fiscal year to carry out programs under this	Section 445 is amended to read as follows: "(a) CARRY-OVER AUTHORITY.--(1) Of the sums granted to an eligible institution under this part for any fiscal year, ~~10~~ **15** percent may, at the discretion of the institution, remain available for expenditure during the succeeding fiscal year to carry out programs under this	**C-12. Carry forward/back.** The suggested amendment would increase the level of carry forward/carry back authority to 15 percent. NASFAA believes the administrative flexibility provided by carry forward/carry

Current Law	Suggested Amendment	Rationale
part. (2) Any of the sums so granted to an institution for a fiscal year which are not needed by that institution to operate work-study programs during that fiscal year, and which it does not wish to use during the next fiscal year as authorized in the preceding sentence, shall remain available to the Secretary for making grants under section 443 to other institutions in the same State until the close of the second fiscal year next succeeding the fiscal year for which such funds were appropriated. (b) CARRY-BACK AUTHORITY.--(1) Up to 10 percent of the sums the Secretary determines an eligible institution may receive from funds which have been appropriated for a fiscal year may be used by the Secretary to make grants under this part to such institution for expenditure during the fiscal year preceding the fiscal year for which the sums were appropriated. (2) An eligible institution may make payments to students of wages earned after the end of the academic year, but prior to the beginning of the succeeding fiscal year, from such succeeding fiscal year's appropriations.	part. (2) Any of the sums so granted to an institution for a fiscal year which are not needed by that institution to operate work-study programs during that fiscal year, and which it does not wish to use during the next fiscal year as authorized in the preceding sentence, shall remain available to the Secretary for making grants under section 443 to other institutions in the same State until the close of the second fiscal year next succeeding the fiscal year for which such funds were appropriated. (b) CARRY-BACK AUTHORITY.--(1) Up to 10 percent of the sums the Secretary determines an eligible institution may receive from funds which have been appropriated for a fiscal year may be used by the Secretary to make grants under this part to such institution for expenditure during the fiscal year preceding the fiscal year for which the sums were appropriated. (2) An eligible institution may make payments to students of wages earned after the end of the academic year, but prior to the beginning of the succeeding fiscal year, from such succeeding fiscal year's appropriations."	back authority in the law is an important management tools for financial aid administrators. NASFAA's recommended increase would be the first since 1980. This increase, combined with NASFAA's recommendation for Section 488 that restores full transferability among the campus-based programs (see recommendation G-32), would give schools sufficient administrative flexibility and, at the same time, preserve the integrity of the programs.
Section 446. JOB LOCATION AND DEVELOPMENT PROGRAMS. (a) AGREEMENTS REQUIRED.--(1) The	Section 446(a) is amended to read as follows: "(a) AGREEMENTS REQUIRED.--(1) The Secretary is authorized to enter into agreements	**C-13. Job Location and Development (JLD) maximum.** The suggested amendment would increase the

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part C-Federal Work Study Programs

Current Law	Suggested Amendment	Rationale
Secretary is authorized to enter into agreements with eligible institutions under which such institution may use not more than 10 percent or $50,000 of its allotment under section 442, whichever is less, to establish or expand a program under which such institution, separately or in combination with other eligible institutions, locates and develops jobs, including community service jobs, for currently enrolled students	with eligible institutions under which such institution may use not more than ~~10~~ **15** percent or ~~$50,000~~ **$75,000** of its allotment under section 442, whichever is less, to establish or expand a program under which such institution, separately or in combination with other eligible institutions, locates and develops jobs, including community service jobs, for currently enrolled students"	maximum amount available for JLD from 10 percent to 15 percent and from $50,000 to $75,000. NASFAA believes that increases in the amounts that may used for these purposes order will further encourage JLD activities. The current percentage limitation has not been increased for several reauthorizations and NASFAA believes the dollar figure should be increased to account for inflation since 1992 and into the future.

Part D
William D. Ford Federal Direct Loan Program

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part D--William D. Ford Federal Direct Loan Program

Current Law	Suggested Amendment	Rationale
Section 452(b) FEES FOR ORIGINATION SERVICES.--(1) FEES FOR INSTITUTIONS.--The Secretary shall pay fees to institutions of higher education (or a consortium of such institutions) with agreements under section 454(b), in an amount established by the Secretary, to assist in meeting the costs of loan origination. Such fees-- (A) shall be paid by the Secretary based on all the loans made under this part to a particular borrower in the same academic year; (B) shall be subject to a sliding scale that decreases the per borrower amount of such fees as the number of borrowers increases; and (C)(i) for academic year 1994-1995, shall not exceed a program-wide average of $10 per borrower for all the loans made under this part to such borrower in the same academic year; and (ii) for succeeding academic years, shall not exceed such average fee as the Secretary shall establish pursuant to regulations.	**Retain current law.**	**D-1. Direct Loan Program origination fee.** The program average fee of $10 per borrower should be retained to reimburse institutions which originate loans for the start-up and on-going costs of administering the Federal Direct Loan Program. Such cost reimbursements are legitimate school expenses incurred in the same fashion as those of lenders and guaranty agencies in the taxpayer-subsidized FFEL Program.
Section 453	**See NASFAA recommendation LP-6.**	**D-2. Participation in William D. Ford Direct Loan Program.**
Section 455	**See NASFAA recommendation B-6.**	**D-3. Loan Subsidies.**
Section 455(c)	**See NASFAA recommendation LP-3a & LP-3b**	**D-4. Insurance premium and federal financing & Origination fee.**

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part D--William D. Ford Federal Direct Loan Program

Current Law	Suggested Amendment	Rationale
Section 455(d)(3)	**See NASFAA recommendation LP-4.**	**D-5. Student's ability to change repayment plans.**
Section 455(g)	**See NASFAA recommendation LP-5.**	**D-6. Consolidation FFEL and Direct Loan Programs.**
Section 457 REGULATORY ACTIVITIES. (a) NOTICE IN LIEU OF REGULATIONS FOR FIRST YEAR OF PROGRAM.-- (1) NOTICE IN LIEU OF REGULATIONS FOR FIRST YEAR OF PROGRAM.--The Secretary shall publish in the Federal Register whatever standards, criteria, and procedures, consistent with the provisions of this part, the Secretary, in consultation with members of the higher education community, determines are reasonable and necessary to the successful implementation of the first year of the direct student loan program authorized by this part. Section 431 of the General Education Provisions Act shall not apply to the publication of such standards, criteria, and procedures.	Section 457 is amended to read as follows: "REGULATORY ACTIVITIES. **(a) ~~NOTICE IN LIEU OF REGULATIONS FOR FIRST YEAR OF PROGRAM.--~~** **~~(1) NOTICE IN LIEU OF REGULATIONS FOR FIRST YEAR OF PROGRAM.--The Secretary shall publish in the Federal Register whatever standards, criteria, and procedures, consistent with the provisions of this part, the Secretary, in consultation with members of the higher education community, determines are reasonable and necessary to the successful implementation of the first year of the direct student loan program authorized by this part. Section 431 of the General Education Provisions Act shall not apply to the publication of such standards, criteria, and procedures.~~**	**D-7. Update of Section 457** NASFAA recommends eliminating several provisions in Section 457 that deal with regulatory transition issues. NASFAA recommends continuation of negotiated rulemaking procedures for changes made by this reauthorization of the HEA.
(2) NEGOTIATED RULEMAKING.--Beginning with academic year 1995-1996, all standards, criteria, procedures, and regulations implementing this part as amended by the Student Loan Reform Act of 1993 shall, to the	**~~(2) NEGOTIATED RULEMAKING.--Beginning with academic year 1995-1996, all~~** All standards, criteria, procedures, and regulations implementing this part as amended by the Student Loan Reform	

Current Law	Suggested Amendment	Rationale
extent practicable, be subject to negotiated rulemaking, including all such standards, criteria, procedures, and regulations promulgated from the date of enactment of such Act.	Act of 1993 **and this Act** shall~~, to the extent practicable,~~ be subject to negotiated rulemaking, including all such standards, criteria, procedures, and regulations promulgated from the date of enactment of ~~such~~ **this** Act.	
(b) CLOSING DATE FOR APPLICATIONS FROM INSTITUTIONS.--The Secretary shall establish a date not later than October 1, 1993, as the closing date for receiving applications from institutions of higher education desiring to participate in the first year of the direct loan program under this part.	~~(b) CLOSING DATE FOR APPLICATIONS FROM INSTITUTIONS.--The Secretary shall establish a date not later than October 1, 1993, as the closing date for receiving applications from institutions of higher education desiring to participate in the first year of the direct loan program under this part.~~	
(c) PUBLICATION OF LIST OF PARTICIPATING INSTITUTIONS.--Not later than January 1, 1994, the Secretary shall publish in the Federal Register a list of the institutions of higher education selected to participate in the first year of the direct loan program under this part.	~~(c) PUBLICATION OF LIST OF PARTICIPATING INSTITUTIONS.--Not later than January 1, 1994, the Secretary shall publish in the Federal Register a list of the institutions of higher education selected to participate in the first year of the direct loan program under this part.~~"	

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Part E
Federal Perkins Loan Program

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part E-Federal Perkins Loans

Current Law	Suggested Amendment	Rationale
Section 462(f)(2) For fiscal year 1994 and any succeeding fiscal year, any institution with a cohort default rate (as defined under subsection (h)) which-- (A) equals or exceeds 15 percent, shall establish a default reduction plan pursuant to regulations issued by the Secretary;	Section 462(f)(2) is amended to read as follows: "For fiscal year 1994 and any succeeding fiscal year, any institution, **except any institution with fewer than 100 borrowers under this part,** with a ~~cohort~~ default rate (as defined under subsection (h)) which-- (A) equals or exceeds 15 percent, shall establish a default reduction plan pursuant to regulations issued by the Secretary;"	**E-1. Default rate management plan exemption.** NASFAA recommends schools with fewer than 100 Federal Perkins Loan Program borrowers should not have to carry out a default management plan. This de minimis standard would allow schools with few Federal Perkins Loans to avoid a prescribed Department default management plan while it makes it own efforts to reduce defaults.
Section 462 (h) DEFINITIONS OF DEFAULT RATE AND COHORT DEFAULT RATE.--(1) For any award year prior to award year 1994, for the purpose of this section, the default rate is computed by dividing-- (A) the total principal amount of defaulted loans; by (B) the total principal amount of loans made under this part, less the principal amount of all loans made to borrowers who are eligible for deferment under section 464(c)(2)(A)(i) or are in a grace period preceding repayment. (2) For the purpose of paragraph (1)(A), the total principal amount of defaulted loans is equal to the total amount borrowed under loans that have reached repayment status and that are in default, minus-- (A) amounts that have been repaid or	Section 462 (h)(1), (2) & (3) are amended to read as follows: "(h) DEFINITIONS OF DEFAULT RATE ~~**AND COHORT DEFAULT RATE**~~.--(1) ~~**For**~~ **In** any award year ~~**prior to award year 1994,**~~ for the purpose of this section, the default rate is computed by dividing-- (A) the total principal amount of defaulted loans; by (B) the total principal amount of loans made under this part, less the principal amount of all loans made to borrowers who are eligible for deferment under section 464(c)(2)(A)(i) or are in a grace period preceding repayment. (2) For the purpose of paragraph (1)(A), the total principal amount of defaulted loans is equal to the total amount borrowed under loans that have reached repayment status and that are in default, minus-- (A) amounts that have been repaid or	**E-2. Federal Perkins Loan Program cohort default rate.** NASFAA recommends a Federal Perkins Loan Program change from a cohort default rate to a cumulative default rate calculation. This recommendation is made because NASFAA believes a cumulative default rate is a more accurate and fair default indicator than the current treatment. By comparing loan volume in default to total loan volume, problems with a cohort default rate such as a large number of students with small loan balances who default results in an inaccurate picture of defaults at a school. Such a school may have only an inconsequential loan volume in default compared to total loan volume in repayment. Yet, in this case, a cohort default rate would be an inaccurate indicator of problems. Finally, NASFAA makes this recommendation, not only for the reasons stated, but also because the

Current Law	Suggested Amendment	Rationale
cancelled on such loans; (B) loans discharged in bankruptcy; (C) loans referred or assigned to the Secretary for collection under paragraph (5)(A), (5)(B)(i), or (6) of section 463(a); and (D) loans that are in default but on which the borrowers have made satisfactory arrangements to resume payment.	cancelled on such loans; (B) loans discharged in bankruptcy; (C) loans referred or assigned to the Secretary for collection under paragraph (5)(A), (5)(B)(i), or (6) of section 463(a); and (D) loans that are in default but on which the borrowers have made satisfactory arrangements to resume payment **including loans that are rehabilitated, fully repaid or made current**.	fundamental nature of the Federal Perkins Loan Program is that schools have more control over loan collections than is the case for the FFEL Program.
(3)(A) For award year 1994 and any succeeding year, the term ``cohort default rate'' means, for any award year in which 30 or more current and former students at the institution enter repayment on loans under this part (received for attendance at the institution), the percentage of those current and former students who enter repayment on such loans (received for attendance at that institution) in that award year who default before the end of the following award year.	(3)(A) ~~**For award year 1994 and any succeeding year, the term ``cohort default rate'' means, for any award year in which 30 or more current and former students at the institution enter repayment on loans under this part (received for attendance at the institution), the percentage of those current and former students who enter repayment on such loans (received for attendance at that institution) in that award year who default before the end of the following award year.**~~	NASFAA proposes that once a Federal Perkins Loan is rehabilitated, fully repaid, or made current after default that it should not be considered in default for purposes of calculating a school's Perkins default rate. It is simple justice that with successful efforts to bring a defaulted loan out of that status, schools should not be assessed a possible punishment.
(B) In determining the number of students who default before the end of such award year, the Secretary shall, in calculating the cohort default rate, exclude any loans which, due to improper servicing or collection, would result in an inaccurate or incomplete calculation of the cohort default rate.	(B) In determining **and calculating** the **volume of loans in default** ~~**number of students who default before the end of such award year**~~, the Secretary shall~~**, in calculating the cohort default rate,**~~ exclude any loans which, due to improper servicing or collection, would result in an inaccurate or incomplete calculation of the ~~**cohort**~~ default rate.	
(C) For any award year in which less than 30 of the institution's current and former students	~~**(C) For any award year in which less than 30 of the institution's current and former**~~	

Current Law	Suggested Amendment	Rationale
enter repayment, the term ``cohort default rate'' means the percentage of such current and former students who entered repayment on such loans in any of the three most recent award years and who default before the end of the award year immediately following the year in which they entered repayment.	~~students enter repayment, the term ``cohort default rate'' means the percentage of such current and former students who entered repayment on such loans in any of the three most recent award years and who default before the end of the award year immediately following the year in which they entered repayment.~~	
(D) A loan on which a payment is made by the institution of higher education, its owner, agency, contractor, employee, or any other entity or individual affiliated with such institution, in order to avoid default by the borrower, is considered as in default for the purposes of this subsection.	~~(D)~~ **(C)** A loan on which a payment is made by the institution of higher education, its owner, agency, contractor, employee, or any other entity or individual affiliated with such institution, in order to avoid default by the borrower, is considered as in default for the purposes of this subsection.	
(E) Any loan that is in default but on which the borrower has made satisfactory arrangements to resume payment or any loan which has been rehabilitated before the end of such following award year is not considered as in default for purposes of this subsection.	~~(E)~~ **(D)** Any loan that is in default but on which the borrower has made satisfactory arrangements to resume payment or any loan which has been rehabilitated before the end of such following award year is not considered as in default for purposes of this subsection.	
(F) In the case of a student who has attended and borrowed at more than one school, the student (and his or her subsequent repayment or default) is attributed to the school for attendance at which the student received the loan that entered repayment in the award year.	~~(F)~~ **(E)** In the case of a student who has attended and borrowed at more than one school, the student (and his or her subsequent repayment or default) is attributed to the school for attendance at which the student received the loan that entered repayment in the award year.	
(G) The Secretary shall prescribe regulations designed to prevent an institution from evading the application to that institution of a default	~~(G)~~ **(F)** The Secretary shall prescribe regulations designed to prevent an institution from evading the application to that institution	

Current Law	Suggested Amendment	Rationale
rate determination under this subsection through the use of such measures as branching, consolidation, change of ownership or control or other means as determined by the Secretary.	of a default rate determination under this subsection through the use of such measures as branching, consolidation, change of ownership or control or other means as determined by the Secretary."	
Section 463(a)(2)(B) (ii) by any other institution, in an amount not less than three-seventeenths of such Federal capital contribution in fiscal year 1993, and one-third of such Federal capital contribution in each of the succeeding fiscal years, of the amount of the Federal capital contributions described in subparagraph (A);	**Retain current law.**	**E-3. Federal Perkins Loan Program campus matching requirement.** NASFAA recommends retaining the current institutional match requirement and level for Federal Perkins Loans. NASFAA believes the current federal/school partnership as exhibited by the campus Federal Perkins Loan Program match is appropriate and should continue unchanged.
Section 463(a)(9) provide that the institution of higher education will make loans first to students with exceptional need; and	Section 463(a)(9) is amended to read as follows: "(9) provide that the institution of higher education will make loans ~~**first to students with exceptional need**~~ **to students with exceptional financial need which shall be defined solely by the institution**; and"	**E-4. Exception need criteria.** The current law requirement (and Department of Education interpretation) that schools award Perkins Loans first to students with exceptional need creates numerous processing difficulties (for example, funding students who have not met priority deadlines), and may not always be in the best interests of students. NASFAA believes that schools know best how to award Perkins Loans for those students that demonstrate exceptional financial need. For example, the current law requirement sometimes forces students into borrowing from two federal loan programs, when it may be in their best interest to borrow under only one

Current Law	Suggested Amendment	Rationale
		loan program.
Section 464(a)(2)(A) Except as provided in paragraph (4), the total of loans made to a student in any academic year or its equivalent by an institution of higher education from a loan fund established pursuant to an agreement under this part shall not exceed--	Section 464(a)(2)(A) & (B) are amended to read as follows: "(A) Except as provided in paragraph (4), the total of loans made to a student in any academic year or its equivalent by an institution of higher education from a loan fund established pursuant to an agreement under this part shall not exceed--	**E-5. Federal Perkins Loan limitations.**
(i) for institutions that have an agreement with the Secretary to participate in the Expanded Lending Option under section 463(a)(2)(B)(i)--	~~(i) for institutions that have an agreement with the Secretary to participate in the Expanded Lending Option under section 463(a)(2)(B)(i)--~~	**E-5a. Expanded Lending Option** NASFAA's recommendation to increase the loan limits in the Federal Perkins Loan Program beyond those in the current law's Expanded Lending Option makes this provision unnecessary.
(I) $4,000, in the case of a student who has not successfully completed a program of undergraduate education; or	~~(I) $4,000, in the case of a student who has not successfully completed a program of undergraduate education; or~~	
(II) $6,000, in the case of a graduate or professional student (as defined in regulations issued by the Secretary).	~~(II) $6,000, in the case of a graduate or professional student (as defined in regulations issued by the Secretary).~~	
(ii) for all other institutions--	~~(ii) for all other institutions--~~	**E-5b. Federal Perkins Loan annual maximum.** NASFAA recommends increasing the Federal Perkins Loan annual undergraduate maximum to $5,500 and $10,000 for graduate/professional students. NASFAA makes this recommendation to simplify the annual maximums in all Title IV programs. This recommendation parallels other NASFAA FFELP/DL Stafford loan annual maximums recommendations (See NASFAA recommendations GL-5, GL-7, & GL-8).
(I) $3,000, in the case of a student who has not successfully completed a program of undergraduate education; or	~~(I) $3,000~~, **(i) $5,500,** in the case of a student who has not successfully completed a program of undergraduate education; or	
(II) $5,000, in the case of a graduate or professional student (as defined in regulations issued by the Secretary).	(II) ~~$5,000~~, **(ii) $10,000,** in the case of a graduate or professional student (as defined in regulations issued by the Secretary).	

Current Law	Suggested Amendment	Rationale
	(iii) the amount under division (i) shall be-- **(I) $5,800 for academic year 2000-2001, and** **(II) $6,100 for academic year 2002-2003.**	**E-5c. Increases in loan amounts.** NASFAA recommends modest and responsible increases in these undergraduate annual loan limits of $300 in the third and fifth years covered by this reauthorization legislation for to address necessary adjustments for inflation. In the third and fifth years covered by this reauthorization, the limits of $10,000 would rise by $500 each year for graduate/professional students.
(B) Except as provided in paragraph (4), the aggregate of the loans for all years made to a student by institutions of higher education from loan funds established pursuant to agreements under this part may not exceed-- (i) for institutions that have an agreement with the Secretary to participate in the Expanded Lending Option under section 463(a)(2)(B)(i)-- (I) $40,000 in the case of any graduate or professional student (as defined by regulations of the Secretary, and including any loans from such funds made to such person before he became a graduate or professional student); (II) $20,000 in the case of a student who has successfully completed 2 years of a program of education leading to a bachelor's degree but who has not completed the work necessary for such a degree (determined under regulations of	(B) Except as provided in paragraph (4), the aggregate of the loans for all years made to a student by institutions of higher education from loan funds established pursuant to agreements under this part may not exceed-- ~~**(i) for institutions that have an agreement with the Secretary to participate in the Expanded Lending Option under section 463(a)(2)(B)(i)--**~~ ~~**(I) $40,000 in the case of any graduate or professional student (as defined by regulations of the Secretary, and including any loans from such funds made to such person before he became a graduate or professional student);**~~ ~~**(II) $20,000 in the case of a student who has successfully completed 2 years of a program of education leading to a bachelor's degree but who has not completed the work necessary for such a**~~	**E-5d. Expanded Lending Option. See E-5a rationale.**

Current Law	Suggested Amendment	Rationale
the Secretary, and including any loans from such funds made to such person before he became such a student); and (III) $8,000 in the case of any other student; or (ii) for all other institutions-- (I) $15,000, in the case of any student who has not successfully completed a program of undergraduate education; or (II) $30,000, in the case of any graduate or professional student (as defined by regulations issued by the Secretary) and including any loans from such funds made to such student before the student became a graduate or professional student.	~~degree (determined under regulations of the Secretary, and including any loans from such funds made to such person before he became such a student); and~~ ~~(III) $8,000 in the case of any other student; or~~ ~~(ii) for all other institutions--~~ ~~(I) $15,000,~~ **(i) $27,500** in the case of any student who has not successfully completed a program of undergraduate education; or (II) ~~$30,000,~~ **(ii) $60,000** in the case of any graduate or professional student (as defined by regulations issued by the Secretary) and including any loans from such funds made to such student before the student became a graduate or professional student." **Conforming amendment Strike Section 463(a)(2)(B)(i)**	**E-5e. Aggregate loan amounts.** Aggregates conform to NASFAA's annual maximum loan recommendation.
Section 464(c)(1)(D) shall provide that the loan shall bear interest, on the unpaid balance of the loan, at the rate of (i) 3 percent per year, (ii) 4 percent per year in the case of any loan made on or after July 1, 1981, or (iii) 5 percent per year in the case of any loan made on or after October 1, 1981, except that no interest shall accrue (I) prior to the beginning date of repayment determined under subparagraph (A)(i), or (II) during any period in which repayment is suspended by reason of paragraph	**Retain current law.**	**E-6. Federal Perkins Loan Program interest rate.** NASFAA recommends continuing the current interest rate level for the Federal Perkins Loan Program. NASFAA believes the packaging policies of Federal Perkins Loan Program participants are targeted on the most deserving Title IV eligible students. The Federal Perkins Loan Program serves many economically disadvantaged students enabling such borrowers to finance their educations at lower

(2);

Section 465(b) REIMBURSEMENT FOR CANCELLATION.--The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this subsection.

Section 465(b) is amended by adding the following sentence after the last period in this subsection that reads as follows: "(b) REIMBURSEMENT FOR CANCELLATION.--The Secretary shall pay to each institution for each fiscal year an amount equal to the aggregate of the amounts of loans from its student loan fund which are canceled pursuant to this section for such year, minus an amount equal to the aggregate of the amounts of any such loans so canceled which were made from Federal capital contributions to its student loan fund provided by the Secretary under section 468. None of the funds appropriated pursuant to section 461(b) shall be available for payments pursuant to this subsection. **The Secretary shall reimburse each institution that qualifies for an amount under this subsection that amount no later than three months of the institution's filing a FISAP or successor document."**

interest rates. NASFAA recommends continuation of this policy.

E-7. Reimbursement for Federal Perkins Loan cancellations.
NASFAA notes that the Department does not consistently provide schools with timely reimbursement for Federal Perkins Loans that have been canceled according to statute. In order to correct this situation, NASFAA recommends that schools receive these funds not later than three months after the Department's receipt of the appropriate reporting device (FISAP) or such successor form or process. Some schools report a three-year lag between application for Federal Perkins cancellation funds and their receipt by the postsecondary institution.

Part F
Need Analysis

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Part F--Need Analysis

Current Law	Suggested Amendment	Rationale
COST OF ATTENDANCE Section 472(2) an allowance for books, supplies, transportation, and miscellaneous personal expenses for a student attending the institution on at least a half-time basis, as determined by the institution;	Section 472 is amended to read as follows: "(2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, **and at the institution's option, an allowance for rental or purchase of a personal computer,** for a student attending the institution on at least a half-time basis, as determined by the institution;".	**F-1. Optional computer allowance.** The suggested amendment provides that "at the institution's option" an allowance for a computer may be included in a student's cost of attendance. NASFAA recognizes two important factors: 1) this technology is more often essential than optional for students, and 2) the costs associated with this equipment have become increasingly more reasonable. NASFAA believes that financial aid administrators are in the best position to determine if these expenses should be part of a student's cost of attendance and recommends that schools may include such costs as part of the standard cost of attendance or on a case-by-case basis.
Section 472(8) for a student with one or more dependents, an allowance based on the estimated actual expenses incurred for such dependent care, based on the number and age of such dependents, except that-- (A) such allowance shall not exceed the reasonable cost in the community in which such student resides for the kind of care provided; and (B) the period for which dependent care is required includes, but is not limited to, class-time, study-time, field work, internships, and commuting time;	**Retain current law.**	**F-2. Dependent care allowance.** NASFAA reaffirms the current treatment of the living expenses of an independent student's dependents, which is to include the family's living expenses in the income protection allowance (IPA) and provide a dependent care allowance for periods when the student is in school or attending to school-related activities. In situations where a student with dependents other than a spouse has insufficient income to cover the expenses reflected in the IPA (thus yielding a negative adjusted available income

Current Law	Suggested Amendment	Rationale
		(AAI)), the school has the option of using the negative amount as an adjustment to the currently defined cost of attendance. Although cumbersome, NASFAA believes this process is preferable to requiring schools to develop additional standard budget types for students with dependents.
Section 472(10) for a student receiving all or part of the student's instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs, but this paragraph shall not be construed to permit including the cost of rental or purchase of equipment;	Section 472 is amended to read as follows: "(10) for a student receiving all or part of the student's instruction by means of telecommunications technology, no distinction shall be made with respect to the mode of instruction in determining costs, ~~**but this paragraph shall not be construed to permit including the cost of rental or purchase of equipment;**~~".	**F-3. Optional computer allowance.** See F-1 rationale.
No comparable legislative language.	Section 472 is amended to add the following new subsection that reads as follows: "**(13) At the institution's option, an allowance for obtaining professional credentials, including professional certification or licensure, national or state examinations;**".	**F-4. Optional professional credential allowance.** The suggested amendment would permit schools to include the costs of obtaining professional credentials in a student's cost of attendance. In certain professions, students incur significant expenses for professional certification or licensure--including costs of national or state examinations--in order to enter their chosen profession or to continue their education. NASFAA recommends that such costs incurred prior to graduation or

Current Law	Suggested Amendment	Rationale
		completion of the program of study may be included by the institution as part of the cost of attendance, either as part of the standard cost of attendance or on a case-by-case basis.
Section 474(b) DATA ELEMENTS.--The following data elements are considered in determining the expected family contribution: (1) the available income of (A) the student and the student's spouse, or (B) the student and the student's parents, in the case of a dependent student; (2) the number of dependents in the family of the student; (3) the number of dependents in the family of the student who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 and for whom the family may reasonably be expected to contribute to their postsecondary education;	Section 474(b) is amended to read as follows: "(3) the number of dependents in the family of the student **excluding the student's parents** who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 and for whom the family may reasonably be expected to contribute to their postsecondary education;".	**F-5. Parents in college.** The suggested amendment would exclude parents from routine inclusion in the number in college. The current formula divides the parents' contribution by the number in college, which may include parents and which may result in a significant reduction in the Expected Family Contribution if a parent takes several low cost courses. Recognizing the desirability of life-long learning as well as the necessity of retraining, NASFAA supports the use of professional judgment authority to accommodate parents' educational expenses. Such possibilities include considering parents' direct educational expenses minus any employer reimbursement as an income adjustment or including the parent in the number in college figure if the financial aid administrator believes that reflects the family's real ability to contribute.
Section 475(b)(3) dividing the assessment resulting under paragraph (2) by the number of the family members who are enrolled or accepted for enrollment, on at least a half-time	Section 475(b) is amended to read as follows: "(3) dividing the assessment resulting under paragraph (2) by the number of the family members **excluding the student's parents**	**F-6. Parents in college.** See F-5 rationale.

Current Law	Suggested Amendment	Rationale
basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 during the award period for which assistance under this title is requested;	who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 during the award period for which assistance under this title is requested;".	
Section 475(c)PARENTS' AVAILABLE INCOME.-- (1) IN GENERAL.--The parents' available income is determined by deducting from total income (as defined in section 480)-- (A) Federal income taxes;	**Retain current law.**	**F-7. Calculated federal income tax.** NASFAA affirms use of the calculated federal income tax in the federal methodology. Changing to using the total tax from the IRS form, as has been suggested by some, would result in double counting some self-employment taxes.
Section 475(d) PARENTS' CONTRIBUTION FROM ASSETS.-- (1) IN GENERAL.--The parents' contribution from assets is equal to-- (A) the parental net worth (determined in accordance with paragraph (2)); minus (B) the education savings and asset protection allowance (determined in accordance with paragraph (3)); multiplied by (C) the asset conversion rate (determined in accordance with paragraph (4)), except that the result shall not be less than zero.	Section 475(d) is amended to read as follows: "~~PARENTS'~~ **FAMILY** CONTRIBUTION FROM ASSETS.-- (1) IN GENERAL.--The ~~parents'~~ **family** contribution from assets is equal to-- (A) the ~~parental~~ **family** net worth (determined in accordance with paragraph (2)); minus (B) the **family** education **and emergency** savings ~~and asset protection~~ allowance (determined in accordance with paragraph (3)); multiplied by	**F-8. Family asset treatment.** The suggested amendment would combine parent and dependent student assets and treat them as family assets and would change the name of the asset protection allowance (APA) to reflect savings for education and emergencies. See also F-17 rationale. NASFAA makes this recommendation to protect the students who have been prudent and saved for their education and not place these students in a position of disadvantage when

Current Law	Suggested Amendment	Rationale
(2) PARENTAL NET WORTH.--The parental net worth is calculated by adding-- (A) the current balance of checking and savings accounts and cash on hand; (B) the net value of investments and real estate, excluding the net value of the principal place of residence; and (C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter in this subsection referred to as ``NW''), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478), except as provided under section 480(f):	(C) the asset conversion rate (determined in accordance with paragraph (4)), except that the result shall not be less than zero. (2) ~~**PARENTAL**~~ **FAMILY** NET WORTH.--The **parental family** net worth is calculated by adding**, for the parents and dependent student**-- (A) the current balance of checking and savings accounts and cash on hand; (B) the net value of investments and real estate, excluding the net value of the principal place of residence; and (C) the adjusted net worth of a business or farm, computed on the basis of the net worth of such business or farm (hereafter in this subsection referred to as "NW"), determined in accordance with the following table (or a successor table prescribed by the Secretary under section 478), except as provided under section 480(f):[insert table] (3) **FAMILY** EDUCATION **AND EMERGENCY** SAVINGS ~~**AND ASSET PROTECTION**~~ ALLOWANCE.--The education **and emergency** savings allowance is ~~**and asset protection**~~ calculated according to the following table (or a successor table prescribed by the Secretary under section 478): [insert table]".	compared to the student who couldn't save, or who chose not to save. This approach would also protect the family that invests in the student's name. NASFAA believes this recommendation addresses concerns about the perceived savings disincentive. In the years since the development of the APA concept, tax-sheltered retirement plans have proliferated and federal protection of pensions plans is now in place (through ERISA). For many middle and upper income families, the vast majority of family assets are invested in retirement plans and home equity. NASFAA's recommendation accommodates this change.

Current Law	Suggested Amendment	Rationale
Section 475(f) COMPUTATIONS IN CASE OF SEPARATION, DIVORCE, REMARRIAGE, OR DEATH.-- (1) DIVORCED OR SEPARATED PARENTS.--Parental income and assets for a student whose parents are divorced or separated is determined under the following procedures: (A) Include only the income and assets of the parent with whom the student resided for the greater portion of the 12-month period preceding the date of the application. (B) If the preceding criterion does not apply, include only the income and assets of the parent who provided the greater portion of the student's support for the 12-month period preceding the date of application. (C) If neither of the preceding criteria apply, include only the income and assets of the parent who provided the greater support during the most recent calendar year for which parental support was provided. (2) DEATH OF A PARENT.--Parental income and assets in the case of the death of any parent is determined as follows: (A) If either of the parents has died, the student shall include only the income and assets of the surviving parent. (B) If both parents have died, the student shall not report any parental income or assets.	**Retain current law.**	**F-9. Responsible parent.** NASFAA reaffirms the current treatment of the responsible parent. NASFAA recognizes that an abundance of complex family circumstances exist but believes that the most reasonable approach is to consider the custodial parent as the parent responsible for the student's educational costs. A portion of this reasonable definition stems from the difficulty and labor-intensive effort involved in trying to collect information from non-custodial parents. Doing so would impose a significant burden and be a major obstacle for many students.

Current Law	Suggested Amendment	Rationale
(3) REMARRIED PARENTS.--If a parent whose income and assets are taken into account under paragraph (1) of this subsection, or if a parent who is a widow or widower and whose income is taken into account under paragraph (2) of this subsection, has remarried, the income of that parent's spouse shall be included in determining the parent's adjusted available income only if-- (A) the student's parent and the stepparent are married as of the date of application for the award year concerned; and (B) the student is not an independent student.		
Section 475(g) STUDENT CONTRIBUTION FROM AVAILABLE INCOME.-- (1) IN GENERAL.--The student contribution from available income is equal to-- (A) the student's total income (determined in accordance with section 480); minus (B) the adjustment to student income (determined in accordance with paragraph (2)); multiplied by (C) the assessment rate as determined in paragraph (5); except that the amount determined under this subsection shall not be less than zero.	**Retain current law.**	**F-10. Minimum student contribution.** NASFAA reaffirms the current treatment of not requiring a minimum student contribution. NASFAA believes that imposing a minimum contribution would be an obstacle to low income students and those in areas where employment opportunities are limited.

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Current Law	Suggested Amendment	Rationale
Section 475(g)(2) ADJUSTMENT TO STUDENT INCOME.--The adjustment to student income is equal to the sum of-- (A) Federal income taxes of the student; (B) an allowance for State and other income taxes (determined in accordance with paragraph (3)); (C) an allowance for social security taxes determined in accordance with paragraph (4); and (D) an income protection allowance of $1,750. (3) ALLOWANCE FOR STATE AND OTHER INCOME TAXES.--The allowance for State and other income taxes is equal to an amount determined by multiplying total income (as defined in section 480) by a percentage determined according to the following table (or a successor table prescribed by the Secretary under section 478): [insert table] (4) ALLOWANCE FOR SOCIAL SECURITY TAXES.--The allowance for social security taxes is equal to the amount earned by the student multiplied by the social security withholding rate appropriate to the tax year of the earnings, up to the maximum statutory social security tax withholding amount for that same tax year. (5) The student's available income (determined in accordance with paragraph (1)	Section 475(g) is amended to read as follows: "(2) ADJUSTMENT TO STUDENT INCOME.--The adjustment to student income is equal to the sum of-- (A) Federal income taxes of the student; (B) an allowance for State and other income taxes (determined in accordance with paragraph (3)); (C) an allowance for social security taxes determined in accordance with paragraph (4); ~~and~~ (D) an income protection allowance of $1,750 **and** **(E) an allowance for parents' negative available income determined in accordance with paragraph (5);"** . . . . **"(5) ALLOWANCE FOR PARENTS' NEGATIVE AVAILABLE INCOME.-- The allowance for parents' negative available income is any negative amount remaining after all allowances have been subtracted from parents' total income under section 475(c) applied as a positive value."**	**F-11. Additional student income offset.** The suggested amendment would add a dependent student income offset in the amount of the negative adjusted parental available income to recognize the situations in which students contribute directly to the support of the family. When parents' income is not sufficient to meet standard expenses and the analysis yields a negative available income, NASFAA recommends offsetting dependent student income by that amount.

Current Law	Suggested Amendment	Rationale
of this subsection) is assessed at 50 percent.		
Section 475(i) ADJUSTMENTS TO PARENTS' CONTRIBUTION FOR ENROLLMENT PERIODS OTHER THAN 9 MONTHS FOR PURPOSES OTHER THAN SUBPART 2 OF PART A OF THIS TITLE.--For periods of enrollment other than 9 months, the parents' contribution from adjusted available income (as determined under subsection (b)) is determined as follows for purposes other than subpart 2 of part A of this title: (1) For periods of enrollment less than 9 months, the parents' contribution from adjusted available income is divided by 9 and the result multiplied by the number of months enrolled. (2) For periods of enrollment greater than 9 months-- (A) the parents' adjusted available income (determined in accordance with subsection (b)(1)) is increased by the difference between the income protection allowance (determined in accordance with subsection (c)(4)) for a family of four and a family of five, each with one child in college; (B) the resulting revised parents' adjusted available income is assessed according to subsection (e) and adjusted according to subsection (b)(3) to determine a revised	Section 475(i) is amended to add the following new subsection that reads as follows: **"(j) ADJUSTMENTS TO STUDENT'S CONTRIBUTION FOR ENROLLMENT PERIODS OTHER THAN 9 MONTHS FOR PURPOSES OTHER THAN SUBPART 2 OF PART A OF THIS TITLE.--For periods of enrollment other than 9 months, the student's contribution from adjusted available income (as determined under subsection (b)) is determined as follows for purposes other than subpart 2 of part A of this title:** **(1) For periods of enrollment less than 9 months, the student's contribution from adjusted available income is divided by 9 and the result multiplied by the number of months enrolled and rounded to the nearest whole dollar.** **(2) For periods of enrollment greater than 9 months, the 9 month figure is used.**".	**F-12. Adjustment to student contribution.** The suggested amendment would prorate the dependent student's contribution for periods of enrollment less than nine months, with a cap at nine months so that aid, particularly loans, for those shortened periods is calculated properly and so that the student's eligibility is not inappropriately reduced. NASFAA cautions that proration should not apply to academic programs greater than 9 months in length as this would result in students being assessed an unreasonably large contribution that negates the income offset these students receive.

Current Law	Suggested Amendment	Rationale
parents' contribution from adjusted available income; (C) the original parents' contribution from adjusted available income is subtracted from the revised parents' contribution from adjusted available income, and the result is divided by 12 to determine the monthly adjustment amount; and (D) the original parents' contribution from adjusted available income is increased by the product of the monthly adjustment amount multiplied by the number of months greater than 9 for which the student will be enrolled.		
Section 476(b) FAMILY'S CONTRIBUTION FROM AVAILABLE INCOME.-- (1) IN GENERAL.--The family's contribution from income is determined by-- (A) deducting from total income (as defined in section 480)-- (i) Federal income taxes; (ii) an allowance for State and other taxes, determined in accordance with paragraph (2); (iii) an allowance for social security taxes, determined in accordance with paragraph (3); (iv) an income protection allowance of-- (I) $3,000 for single students; (II) $3,000 for married students where both are enrolled pursuant to subsection (a)(2); and (III) $6,000 for married students where one is	Section 476 is amended: 1. By amending subsection (b) to read as follows: "FAMILY'S CONTRIBUTION FROM AVAILABLE INCOME.-- (1) IN GENERAL.--The family's contribution from income is determined by-- (A) deducting from total income (as defined in section 480)-- (i) Federal income taxes; (ii) an allowance for State and other taxes, determined in accordance with paragraph (2); (iii) an allowance for social security taxes, determined in accordance with paragraph (3); (iv) an income protection allowance ~~of--~~ ~~(I) $3,000 for single students;~~ ~~(II) $3,000 for married students where~~	**F-13. Living allowance for independent student without dependents.** The suggested amendment would increase the income protection allowance for this group of students. NASFAA recommends providing more generous treatment for this group of students and suggests the approach contained in the Administration's FY-98 Budget. This would provide income protection for these students at the same level as for independent students with dependents other than a spouse and parents of dependent students. NASFAA is also interested in exploring other approaches that might provide similar protection to this group of students in a different way.

Current Law	Suggested Amendment	Rationale
enrolled pursuant to subsection (a)(2); and (v) in the case where a spouse is present, an employment expense allowance, as determined in accordance with paragraph (4); and (B) assessing such available income in accordance with paragraph (5).	**~~both are enrolled pursuant to subsection (a)(2); and~~** **~~(III) $6,000 for married students where one is enrolled pursuant to subsection (a)(2);~~ as determined in accordance with paragraph (4);** and (v) in the case where a spouse is present, an employment expense allowance, as determined in accordance with paragraph **~~(4)~~ (5)**; and (B) assessing such available income in accordance with paragraph **~~(5)~~** (6)." 2. by inserting the following new paragraph (4) "**(4) INCOME PROTECTION ALLOWANCE.--The income protection allowance is determined by the following table (or a successor table prescribed by the Secretary under section 478): [insert table identical to that found in section 475(c)(4)]**", and 3. by renumbering paragraphs (4) and (5) as (5) and (6) respectively.	
Section 476(b) FAMILY'S CONTRIBUTION FROM AVAILABLE INCOME.-- (1) IN GENERAL.--The family's contribution from income is determined by-- (A) deducting from total income (as defined in section 480)-- (i) Federal income taxes;	**Retain current law.**	**F-14. Calculated federal income tax.** See F-7 rationale.

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Current Law	Suggested Amendment	Rationale
Section 477. FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE. (a) COMPUTATION OF EXPECTED FAMILY CONTRIBUTION.--For each independent student with dependents other than a spouse, the expected family contribution is equal to the amount determined by-- (1) computing adjusted available income by adding-- (A) the family's available income (determined in accordance with subsection (b)); and (B) the family's contribution from assets (determined in accordance with subsection (c)); (2) assessing such adjusted available income in accordance with an assessment schedule set forth in subsection (d); and (3) dividing the assessment resulting under paragraph (2) by the number of family members who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education that is an eligible institution in accordance with the provisions of section 487 during the award period for which assistance under this title is requested; except that the amount determined under this	**Retain current law.**	**F-15. Living allowance for independent students with dependents.** NASFAA believes the current formula structure is appropriate for this group of students and recommends no changes.

Current Law	Suggested Amendment	Rationale
subsection shall not be less than zero.		
Section 477(b) FAMILY'S AVAILABLE INCOME.-- (1) IN GENERAL.--The family's available income is determined by deducting from total income (as defined in section 480)-- (A) Federal income taxes;	**Retain current law.**	**F-16. Calculated federal income tax.** See F-7 rationale.
Section 478(d) EDUCATION SAVINGS AND ASSET PROTECTION ALLOWANCE.--For each award year after award year 1993-1994, the Secretary shall publish in the Federal Register a revised table of allowances for the purpose of sections 475(d)(3), 476(c)(3), and 477(c)(3). Such revised table shall be developed by determining the present value cost, rounded to the nearest $100, of an annuity that would provide, for each age cohort of 40 and above, a supplemental income at age 65 (adjusted for inflation) equal to the difference between the moderate family income (as most recently determined by the Bureau of Labor Statistics), and the current average social security retirement benefits. For each age cohort below 40, the allowance shall be computed by decreasing the allowance for age 40, as updated, by one-fifteenth for each year of age below age 40 and rounding the result to the nearest $100. In making such	Section 478 is amended to read as follows: "(d) **FAMILY** EDUCATION **AND EMERGENCY** SAVINGS ~~**AND ASSET PROTECTION**~~ ALLOWANCE.--For each award year after award year ~~**1993-1994**~~ **1998-1999**, the Secretary shall publish in the Federal Register a revised table of allowances for the purpose of sections 475(d)(3), 476(c)(3), and 477(c)(3). Such revised table shall be developed **using the updating procedures in subsection (b) of this section.** ~~**by determining the present value cost, rounded to the nearest $100, of an annuity that would provide, for each age cohort of 40 and above, a supplemental income at age 65 (adjusted for inflation) equal to the difference between the moderate family income (as most recently determined by the Bureau of Labor Statistics), and the current average social security retirement benefits. For each age cohort below 40, the allowance**~~	**F-17. Updating asset allowance.** NASFAA recommends using a value equal to the family's income protection allowance (IPA) to protect assets for education and emergencies. The rationale for the current asset protection allowance (APA) is based on an annuity formula that considers retirement needs not met by social security. Since retirement assets are not considered in the formula, NASFAA believes it is no longer appropriate to structure the APA using the original annuity concept. To regain some measure of both equity and the economics in the consideration of assets, NASFAA recommends that the APA be focused on: 1) family emergency needs, and 2) educational savings allowances, and that it be termed the Family Education and Emergency Savings Allowance. For emergencies, most financial advisors recommend saving at least 4-6 months

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determinations-- (1) inflation shall be presumed to be 6 percent per year; (2) the rate of return of an annuity shall be presumed to be 8 percent; and (3) the sales commission on an annuity shall be presumed to be 6 percent.	~~shall be computed by decreasing the allowance for age 40, as updated, by one-fifteenth for each year of age below age 40 and rounding the result to the nearest $100. In making such determinations--~~ ~~(1) inflation shall be presumed to be 6 percent per year;~~ ~~(2) the rate of return of an annuity shall be presumed to be 8 percent; and~~ ~~(3) the sales commission on an annuity shall be presumed to be 6 percent.~~	of income. An allowance based on ½ of the IPA would provide such protection. For educational savings, an allowance equal to ½ of the IPA would help to overcome the perception of a savings disincentive within the formula. Thus, a new allowance, equal to one year's IPA using the appropriate family size with one in college, would be established. The new asset protection allowance would replace the former allowance based on the age of the older parent. In effect, all families would receive equal protection of those assets that are not protected by law and therefore not included in the formula, as opposed to the equal treatment for all families whose oldest parents are of equal age.
Section 478(g) STATE AND OTHER TAX ALLOWANCE.--For each award year after award year 1993-1994, the Secretary shall publish in the Federal Register a revised table of State and other tax allowances for the purpose of sections 475(c)(2), 475(g)(3), 476(b)(2), and 477(b)(2). The Secretary shall develop such revised table after review of the Department of the Treasury's Statistics of Income file and determination of the percentage of income that each State's taxes represent.	Section 478 is amended to read as follows: "(g) STATE AND OTHER TAX ALLOWANCE.--For each award year after award year ~~1993-94~~ **1998-1999**, the Secretary shall publish in the Federal Register a revised table of State and other tax allowances for the purpose of sections 475(c)(2), 475(g)(3), 476(b)(2), and 477(b)(2). The Secretary shall develop such revised table after review of the Department of the Treasury's Statistics of Income file ~~and determination of the percentage of income that each State's taxes~~	**F-18. Updating state/local tax tables.** The suggested amendment requires the Secretary to update the current state and local tax table to more sensitively recognize the variance in state tax structures by increasing the number of income bands. A simple review of the Treasury Statistics of Income file provides an inadequate assessment of the full effect of state and local taxes. Since sales tax was eliminated as an allowable deduction, the current updating language would severely understate the effective tax rate. NASFAA

Current Law	Suggested Amendment	Rationale
	represent and data from analysis models of effects of state taxes from institutes which conduct research on tax issues, and shall include at least four income bands.".	believes that adding the data and the tax model used by the Institute of Taxation and Economic Policy to the updating process, would improve the tax tables for all families and protect the working poor in particular.
Section 479. SIMPLIFIED NEEDS TESTS. (a) SIMPLIFIED APPLICATION SECTION.-- (1) IN GENERAL.--The Secretary shall develop and use an easily identifiable simplified application section as part of the common financial reporting form prescribed under section 483(a) for families described in subsections (b) and (c) of this section. (2) REDUCED DATA REQUIREMENTS.--The simplified application form shall-- (A) in the case of a family meeting the requirements of subsection (b)(1), permit such family to submit only the data elements required under subsection (b)(2) for the purposes of establishing eligibility for student financial aid under this part; and (B) in the case of a family meeting the requirements of subsection (c), permit such family to be treated as having an expected family contribution equal to zero for purposes of establishing such eligibility and to submit only the data elements required to make a	**Strike section 479(a)&(b).**	**F-19. Simplified needs test.** The suggested amendment would eliminate this formula treatment. NASFAA believes that the linkage with tax filing status significantly complicates the identification of eligible families and that the complexity of the simplified needs test (SNT) is in the process of families determining their eligibility for the formula rather than in providing the information. NASFAA also is concerned about the $50,000 threshold, specifically the presumption that families at this income level do not have significant assets, since under the current law, a single dollar of additional income is sufficient to completely eliminate the family from this formula treatment. If the most important issue is ensuring that the student gets through the system, it seems simpler to ask applicants to complete all questions rather than to have them suffer problems and delays by not understanding what portion of the application to complete. Most families with lower income typically do not have significant assets, and thus will not be negatively impacted by the

Current Law	Suggested Amendment	Rationale
determination under subsection (c). (b) SIMPLIFIED NEEDS TEST.-- (1) ELIGIBILITY.--An applicant is eligible to file a simplified form containing the elements required by paragraph (2) if-- (A) in the case of an applicant who is a dependent student-- (i) the student's parents file or are eligible to file a form described in paragraph (3) or certify that they are not required to file an income tax return and the student files or is eligible to file such a form or certifies that the student is not required to file an income tax return; and (ii) the total adjusted gross income of the parents (excluding any income of the dependent student) is less than $50,000; or (B) in the case of an applicant who is an independent student-- (i) the student (and the student's spouse, if any) files or is eligible to file a form described in paragraph (3) or certifies that the student (and the student's spouse, if any) is not required to file an income tax return; and (ii) the adjusted gross income of the student (and the student's spouse, if any) is less than $50,000. (2) SIMPLIFIED TEST ELEMENTS.--The six elements to be used for the simplified needs analysis are-- (A) adjusted gross income,		inclusion of assets in the formula. As an added benefit of eliminating this formula, availability of the asset information will provide a more accurate assessment of eligibility for those families with assets.

Current Law	Suggested Amendment	Rationale
(B) Federal taxes paid, (C) untaxed income and benefits, (D) the number of family members, (E) the number of family members in postsecondary education, and (F) an allowance (A) for State and other taxes, as defined in section 475(c)(2) for dependent students and in section 477(b)(2) for independent students with dependents other than a spouse, or (B) for State and other income taxes, as defined in section 476(b)(2) for independent students without dependents other than a spouse. (3) QUALIFYING FORMS.--A student or family files a form described in this paragraph if the student or family, respectively, files-- (A) a form 1040A or 1040EZ (including any prepared or electronic version of such form) required pursuant to the Internal Revenue Code of 1986; or (B) an income tax return (including any prepared or electronic version of such return) required pursuant to the tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau.		

Current Law	Suggested Amendment	Rationale
Section 479(c) ZERO EXPECTED FAMILY CONTRIBUTION.--The Secretary shall consider an applicant to have an expected family contribution equal to zero if-- (1) in the case of a dependent student-- (A) the student's parents were not required to file an income tax return under section 6012(a)(1) of the Internal Revenue Code of 1986; and (B) the sum of the adjusted gross income of the parents is less than or equal to the maximum amount of income (rounded annually to the nearest thousand dollars) that may be earned in 1992 or the current year, whichever is higher, in order to claim the maximum Federal earned income credit; or (2) in the case of an independent student with dependents other than a spouse-- (A) the student (and the student's spouse, if any) was not required to file an income tax return under section 6012(a)(1) of the Internal Revenue Code of 1986; and (B) the sum of the adjusted gross income of the student and spouse (if appropriate) is less than or equal to the maximum amount of income (rounded annually to the nearest thousand dollars) that may be earned in 1992 or the current year, whichever is higher, in order to claim the maximum Federal earned income credit.	**Strike section 479(c).**	**F-20. Automatic zero EFC.** The suggested amendment would eliminate this formula treatment. NASFAA is concerned about whether the current automatic zero approach identifies and serves its intended audience. The tax form a family is "eligible to file" is a central eligibility criterion for the formula. Many low income families go to tax preparers, who generally use the long form. These families are often not knowledgeable enough about the tax system to understand that they could have filed a simpler form thus making them eligible for this formula. If they were, they wouldn't have gone to the tax preparer in the first place. NASFAA does not anticipate any impact on the Free Application for Federal Student Aid (FAFSA). Families will complete all data items just at they currently do. If there is any negative formulaic impact resulting from this change, NASFAA believes that the recommendation to offset dependent student income in the amount of the negative adjusted parental available income will mitigate it.

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An individual is not required to qualify or file for the earned income credit in order to be eligible under this subsection.		
Section 479A. DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS. (a) IN GENERAL.--Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases to request and use supplementary information about the financial	Section 479A is amended by adding a new subsection that reads as follows: **"(d) ADJUSTMENTS TO LOAN AMOUNTS.-- An eligible institution may refuse to certify a statement which permits a student to receive a loan under part B or to certify a loan amount that is less than the student's determination of need (as determined under this part), if the reason for such action is documented and provided in written or electronic form to each student so affected."**	**F-21. Reaffirming professional judgment authority and ability to reduce/deny loans.** NASFAA reaffirms the importance of ability to make professional judgment decisions and relocates authority to reduce or deny loans from section 428(a)(2)(F) in Part B to section 479A(d) in Part F. NASFAA believes financial aid administrators must retain the authority to make professional judgment decisions in order to properly administer the student aid programs. This authority remains the one sure way for an individual student with a unique circumstance to receive appropriate treatment or for financial aid administrators to immediately intervene when a potentially fraudulent circumstance is identified. NASFAA also believes the authority to reduce or deny a Part B loan is better placed in section 479A, along with other professional judgment HEA provisions. We believe this will strengthen the ability of financial aid professionals to exercise judgment where appropriate.

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status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.		
Section 480. DEFINITIONS. As used in this part: (a) TOTAL INCOME.--(1) Except as provided in paragraph (2), the term ``total income'' is equal to adjusted gross income plus untaxed income and benefits for the preceding tax year minus excludable income (as defined in subsection (e)).	**Retain current law.**	**F-22. Use of Adjusted Gross Income (AGI).** NASFAA believes that AGI is the most reasonable basis for determining the income contribution in the eligibility formula and recommends no change in this area.
Section 480(b) UNTAXED INCOME AND BENEFITS.--The term ``untaxed income and benefits'' means-- (1) child support received; (2) welfare benefits, including aid to families with dependent children under a State plan approved under part A of title IV of the Social Security Act and aid to dependent children; (3) workman's compensation; (4) veterans' benefits such as death pension, dependency, and indemnity compensation, but excluding veterans' education benefits as defined in subsection (c);	**Retain current law.**	**F-23. Veterans' benefits.** NASFAA believes that veterans' educational benefits should continue to be treated as a resource and not as part of the income component in the formula in determining a student's eligibility for financial aid awards and therefore recommends no change in this area.

Current Law	Suggested Amendment	Rationale
Section 480(d) INDEPENDENT STUDENT.--The term ``independent'', when used with respect to a student, means any individual who-- (1) is 24 years of age or older by December 31 of the award year; (2) is an orphan or ward of the court or was a ward of the court until the individual reached the age of 18; (3) is a veteran of the Armed Forces of the United States (as defined in subsection (c)(1)); (4) is a graduate or professional student; (5) is a married individual; (6) has legal dependents other than a spouse; or (7) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.	**Retain current law.**	**F-24. Independent student definition.** NASFAA members generally believe that the current definition targets the appropriate population and should be retained. NASFAA believes that aid administrators have the tools necessary, in the form of professional judgment authority, to address individual circumstances.
Section 480(j) OTHER FINANCIAL ASSISTANCE; TUITION PREPAYMENT PLANS.--(1) For purposes of determining a student's eligibility for funds under this title, estimated financial assistance not received under this title shall include all scholarships, grants, loans, or other assistance known to the institution at the time the determination of the student's need is made, including veterans' education benefits as defined in subsection (c).	Section 480(j) is amended to read as follows: "OTHER FINANCIAL ASSISTANCE; TUITION PREPAYMENT PLANS.--(1) For purposes of determining a student's eligibility for funds under this title, estimated financial assistance not received under this title shall include all scholarships, grants, loans, or other assistance known to the institution at the time the determination of the student's need is made, including veterans' education benefits as	**F-25. Tuition prepayment plans.** The suggested amendment would use tuition prepayment proceeds, defined as the pay-out for the award year, to offset a family's expected family contribution and treat any remainder as a resource. NASFAA views these plans as savings vehicles intended to assist families in meeting the expected family contribution (EFC). To reduce the perceived disincentive of these prepayment plans, NASFAA

Current Law	Suggested Amendment	Rationale
(2)(A) Except as provided in subparagraph (B), for purposes of determining a student's eligibility for funds under this title, tuition prepayment plans shall reduce the cost of attendance (as determined under section 472) by the amount of the prepayment, and shall not be considered estimated financial assistance. (B) If the institutional expense covered by the prepayment must be part of the student's cost of attendance for accounting purposes, the prepayment shall be considered estimated financial assistance. (3) Notwithstanding paragraph (1), a national service educational award or post-service benefit under title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.) shall not be treated as financial assistance for purposes of section 471(3).	defined in subsection (c). (2)~~(A) Except as provided in subparagraph (B), for~~ **For** purposes of determining a student's eligibility for funds under this title, tuition prepayment plans shall reduce ~~the cost of attendance (as determined under section 472)~~ **parents' contribution from adjusted available income as determined in accordance with subsection 475(b)** by the amount of the prepayment **for the award year, ~~and shall not~~ and any remainder shall** be considered estimated financial assistance **for the award year.** ~~(B) If the institutional expense covered by the prepayment must be part of the student's cost of attendance for accounting purposes, the prepayment shall be considered estimated financial assistance.~~ (3) Notwithstanding paragraph (1), a national service educational award or post-service benefit under title I of the National and Community Service Act of 1990 (42 U.S.C. 12571 et seq.) shall not be treated as financial assistance for purposes of section 471(3)."	recommends that the proceeds be permitted to offset a family's EFC. This approach would not penalize the family for participation in such a plan, but would ensure that these amounts are considered in an equitable manner in the eligibility determination process. Any amount remaining after offsetting the EFC would be treated as estimated financial assistance.
Section 480(k) DEPENDENTS.--(1) Except as otherwise provided, the term ``dependent of the parent'' means the student, dependent children of the student's parents, including those children who are deemed to be dependent	Section 480(k) is amended to read as follows: "DEPENDENTS.--(1) Except as otherwise provided, the term 'dependent of the parent' means the student, dependent children of the student's parents **who are 23 years of age and**	**F-26. Definition of family.** The suggested amendment would exclude all children aged 24 years and older for dependent student families and independent student families. NASFAA recognizes the complexity

Current Law	Suggested Amendment	Rationale
students when applying for aid under this title, and other persons who live with and receive more than one-half of their support from the parent and will continue to receive more than half of their support from the parent during the award year. (2) Except as otherwise provided, the term ``dependent of the student'' means the student's dependent children and other persons (except the student's spouse) who live with and receive more than one-half of their support from the student and will continue to receive more than half of their support from the student during the award year. (l) FAMILY SIZE.--(1) In determining family size in the case of a dependent student-- (A) if the parents are not divorced or separated, family members include the student's parents, and the dependents of the student's parents including the student; (B) if the parents are divorced or separated, family members include the parent whose income is included in computing available income and that parent's dependents, including the student; and (C) if the parents are divorced and the parent whose income is so included is remarried, or if the parent was a widow or widower who has remarried, family members also include, in addition to those individuals referred to in	**younger**, including those children who are deemed to be dependent students when applying for aid under this title, and other persons **who are 23 years of age and younger** who live with and receive more than one-half of their support from the parent and will continue to receive more than half of their support from the parent during the award year. (2) Except as otherwise provided, the term ``dependent of the student'' means the student's dependent children and other persons (except the student's spouse) who live with and receive more than one-half of their support from the student and will continue to receive more than half of their support from the student during the award year. (l) FAMILY SIZE.--(1) In determining family size in the case of a dependent student-- (A) if the parents are not divorced or separated, family members include the student's parents, and the dependents of the student's parents **who are 23 years of age or younger** including the student; (B) if the parents are divorced or separated, family members include the parent whose income is included in computing available income and that parent's dependents **who are 23 years of age or younger**, including the student; and (C) if the parents are divorced and the parent	of the variety of family situations in our world today but believes that adult children who are not pursuing an education should be responsible for their own maintenance. NASFAA believes that financial aid administrators can address under professional judgment the care of elderly family members and/or younger family members who are disabled.

Current Law	Suggested Amendment	Rationale
subparagraph (B), the new spouse and any dependents of the new spouse if that spouse's income is included in determining the parents' adjusted available income. (2) In determining family size in the case of an independent student-- (A) family members include the student, the student's spouse, and the dependents of the student; and (B) if the student is divorced or separated, family members do not include the spouse (or ex-spouse), but do include the student and the student's dependents.	whose income is so included is remarried, or if the parent was a widow or widower who has remarried, family members also include, in addition to those individuals referred to in subparagraph (B), the new spouse and any dependents of the new spouse **who are 23 years of age and younger** if that spouse's income is included in determining the parents' adjusted available income. (2) In determining family size in the case of an independent student-- (A) family members include the student, the student's spouse, and the dependents of the student **who are 23 years of age or younger**; and (B) if the student is divorced or separated, family members do not include the spouse (or ex-spouse), but do include the student and the student's dependents **who are 23 years of age or younger.**".	

Part G
General Provisions Relating To Student Assistance Programs

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Current Law	Suggested Amendment	Rationale
No comparable legislative provision.	A new section unnumbered is added to the Act that reads as follows: **"Section 4xx (a)The Secretary shall determine the level of regulatory oversight of eligible postsecondary institutions and shall substantially reduce the regulatory burden on such institutions.** **(1) Such standards shall be promulgated by the Secretary in consultation with affected parties;** **(2) Such standards shall utilize performance based/multiple standards;** **(3) Such standards shall substantially reduce the regulatory burden on postsecondary institutions and students; and** **(4) Such standards shall protect the legitimate interests of postsecondary institutions, students, the government and the taxpayer.** **(b) Such standards shall be implemented within one year of the date of enactment of this Act and shall be subject to the provisions of section 492."**	**G-1. Regulatory relief/Multiple performance standards.** NASFAA proposes to change the HEA so that the Secretary must use multiple performance standards in determining the level of regulatory oversight of postsecondary institutions. A "one size fits all" regulatory approach does not serve the interests of either the government or postsecondary institutions. For many years, and throughout the NASFAA reauthorization process, student financial aid professionals have urged that the micromanagement of their offices end and that substantial regulatory relief be implemented. NASFAA agrees and recommends an open-ended process which we believe meets that goal. NASFAA suggests a process where the Secretary negotiates the performance based/multiple standards with the higher education community based on what would best meet the goal of regulatory relief and of targeted regulations determining the performance of schools administering the Title IV programs.
Section 481 DEFINITIONS. (a) INSTITUTION OF HIGHER EDUCATION.--(1) Subject to paragraphs (2) through (4) of this subsection, the term ``institution of higher education'' for purposes of this title includes, in addition to the	**Retain current law, except for recommendation for Section 481(b)(6) per NASFAA recommendation G-5.**	**G-2. Proprietary School eligibility** NASFAA recommends continuing the provision that students attending proprietary schools retain Title IV eligibility under the same terms as all eligible students. NASFAA believes students attending

Current Law	Suggested Amendment	Rationale
institutions covered by the definition in section 1201(a)-- (A) a proprietary institution of higher education;...		proprietary schools should continue to be Title IV eligible without any further separate requirements on such applicants or the Title IV eligible schools they attend. Attempts to shift such students into other proposed, but not enacted legislative proposals, sometimes do not recognize the necessity to educate all Americans for those educational or career goals that each person may attain given their talents and desires for a productive life contributing to the economic well-being of all of this nation's citizens.
(b) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.--For the purpose of this section, the term ``proprietary institution of higher education'' means a school (1) which provides an eligible program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1) and (2) of section 1201(a), (3) which does not meet the requirement of clause (4) of section 1201(a), (4) which is accredited by a nationally recognized accrediting agency or association approved by the Secretary pursuant to part H of this title, (5) which has been in existence for at least 2 years, and (6) which has at least 15 percent of its revenues from sources that are not derived from funds provided under this title, as determined in accordance with regulations prescribed by the Secretary. Such term also includes a proprietary educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.		

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Section 481(a)(3)(C) An institution shall not be considered to meet the definition of an institution of higher education in paragraph (1), if such institution--... (C) has a student enrollment in which more than 25 percent of the students are incarcerated, except that the Secretary may waive the prohibition of this subparagraph for a nonprofit institution that provides a 4-year or a 2-year program of instruction (or both) for which it awards a bachelor's or associate's degree, respectively;	Section 481(a)(3)(C) is amended to read as follows: "(3) An institution shall not be considered to meet the definition of an institution of higher education in paragraph (1), if such institution--... ~~**(C) has a student enrollment in which more than 25 percent of the students are incarcerated, except that the Secretary may waive the prohibition of this subparagraph for a nonprofit institution that provides a 4-year or a 2-year program of instruction (or both) for which it awards a bachelor's or associate's degree, respectively;**~~ Section 481(e)(1) is modified by the addition of a new subparagraph (C) to read as follows: **"(C) has a student enrollment in a program not greater than 25 percent of incarcerated students."**	**G-3. Institutional eligibility.** NASFAA recommends removing the connection between an institution's eligibility regarding the percentage of incarcerated students enrolled at the school. This section of the HEA makes ineligible any postsecondary institution that has more than 25 percent of its enrollment made up of incarcerated students. NASFAA's change would retain the prohibition for determining program eligibility, but not for determining institutional eligibility. When the Congress eliminated Title IV eligibility for incarcerated individuals serving time in federal and state penal institutions, it did not address this issue. Consequently, while inmates are Title IV ineligible, if a school wished to develop a program for prisoners, the school faces loss of eligibility if its inmate enrollment is over 25 percent. NASFAA believes schools and the majority balance of their student bodies should not lose eligibility if schools wish to serve an incarcerated population over 25 percent of enrollment. Since inmates are ineligible for Title IV funds, the federal government has no interest in this matter and, therefore, preserving the requirement in the program eligibility section of the Act would meet any possible congressional concerns and not unfairly punish students or schools.

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Section 481(a)(5) be a citizen or national of the United States, a permanent resident of the United States, able to provide evidence from the Immigration and Naturalization Service that he or she is in the United States for other than a temporary purpose with the intention of becoming a citizen or permanent resident, or a permanent resident of the Trust Territory of the Pacific Islands, Guam, or the Northern Mariana Islands.	**Retain current law.**	**G-4. Legal immigrant Title IV eligibility.** NASFAA recommends continuing Title IV eligibility for legal immigrants without any requirements for co-signers for Title IV loans or deeming of sponsor's income. NASFAA recommends continuing current law to benefit legal immigrants by providing educational opportunities to succeed in their newly adopted homeland. To implement any of the above policies would diminish the American dream and greatly reduce the opportunity for economic mobility for those who legally came to this nation seeking a better life for themselves and their families.
Section 481(b) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.--For the purpose of this section, the term ``proprietary institution of higher education" means a school (1) which provides an eligible program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1) and (2) of section 1201(a), (3) which does not meet the requirement of clause (4) of section 1201(a), (4) which is accredited by a nationally recognized accrediting agency or association approved by the Secretary pursuant to part H of this title, (5) which has been in existence for at least 2 years, and (6) which has at least 15	Section 481(b) is amended to read as follows: "(b) PROPRIETARY INSTITUTION OF HIGHER EDUCATION.--For the purpose of this section, the term ``proprietary institution of higher education" means a school (1) which provides an eligible program of training to prepare students for gainful employment in a recognized occupation, (2) which meets the requirements of clauses (1) and (2) of section 1201(a), (3) which does not meet the requirement of clause (4) of section 1201(a), (4) which is accredited by a nationally recognized accrediting agency or association approved by the Secretary pursuant to part H of this title, **and,** (5) which has been in existence for at least 2 years~~, and (6) which has at least~~	**G-5. 85/15 rule.** NASFAA believes the 85/15 rule was well-intentioned, but unfairly burdens one segment of Title IV eligible schools. Enforcement of the 85/15 rule produces a cumbersome, expensive record-keeping and audit process with little result except for the denial of educational opportunities for those low-income, career track individuals served by proprietary postsecondary institutions. Whether one agrees with or does not agree with action by the Congress to eliminate schools with high default rates, NASFAA does know that policy has eliminated loan eligibility for several hundred schools since the policy was first implemented. NASFAA does

Current Law	Suggested Amendment	Rationale
percent of its revenues from sources that are not derived from funds provided under this title, as determined in accordance with regulations prescribed by the Secretary. Such term also includes a proprietary educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located.	~~**15 percent of its revenues from sources that are not derived from funds provided under this title, as determined in accordance with regulations prescribed by the Secretary**~~. Such term also includes a proprietary educational institution in any State which, in lieu of the requirement in clause (1) of section 1201(a), admits as regular students persons who are beyond the age of compulsory school attendance in the State in which the institution is located."	acknowledge many of those schools eliminated did not have adequate educational programs serving students. NASFAA also knows that a number of quality schools lost loan eligibility for their students because those schools took risks in admitting students from low-income families or who were inadequately served by primary and secondary local school systems and needed career opportunities in order to gain the education necessary to be productive citizens. The 85/15 rule should be eliminated because it is poor educational policy if the Congress is committed to educational opportunity. The 85/15 rule should be eliminated since other federal, state, and local enforcement activities can root out a school's poor performance without the arbitrariness of this provision of the HEA.
Section 481(d) STUDENTS WHO ARE NOT HIGH SCHOOL GRADUATES.--In order for a student who does not have a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, to be eligible for any assistance under subparts 1, 3, and 4 of part A and parts B, C, D, and E of this title, the student shall meet either one of the following standards: (1) The student shall take an independently administered examination and shall achieve a	Section 481(d) is amended as follows: "(d) STUDENTS WHO ARE NOT HIGH SCHOOL GRADUATES.--In order for a student who does not have a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, to be eligible for any assistance under subparts 1, 3, and 4 of part A and parts B, C, D, and E of this title, the student shall meet either one of the following standards: (1) The student shall take an independently administered examination and shall achieve a	**G-6. Treatment of Ability to Benefit.** NASFAA recommends giving schools the authority to admit up to 25 percent of its ATB students using institutional assessment methodology. NASFAA's recommendation provides for appropriate institutional flexibility and, at the same time, preserves congressional intent that ATB is not misused. NASFAA suggests that schools, using their own assessment methods and methodologies, can better appraise an individual's chance for successfully completing that school's program

Current Law	Suggested Amendment	Rationale
score, specified by the Secretary, demonstrating that such student can benefit from the education or training being offered. Such examination shall be approved by the Secretary on the basis of compliance with such standards for development, administration, and scoring as the Secretary may prescribe in regulations.	score, specified by the Secretary, demonstrating that such student can benefit from the education or training being offered. Such examination shall be approved by the Secretary on the basis of compliance with such standards for development, administration, and scoring as the Secretary may prescribe in regulations. **(2)(A)The student shall be eligible under this subsection if institution determines the student has the ability to benefit using such institution's assessment methods or methodology,** **(B) Such assessment methods or methodologies may be utilized for no more than 25 percent of an eligible institution's enrollment consists of individual's qualified under this subsection, if such institutional testing methods or methodologies are printed in appropriate institutional publications, and,** **(C) The Secretary shall not be authorized to review or regulate the assessment methodologies used by eligible institutions under this paragraph.**	of study. The 25 percent ceiling would allow those schools admitting ATB students below that level to utilize complex and more focused assessment tools, than the current ATB testing required under law. NASFAA recommends that above the 25 percent ATB enrollment level schools must follow current law in this area. NASFAA placed this ceiling recognizing that there is some potential for abuse if this level was above 25 percent, but with at least 75 percent of a school's enrollment consisting of non-ATB students that potential is significantly reduced or eliminated.
(2) The student shall be determined as having the ability to benefit from the education or training in accordance with such process as the State shall prescribe. Any such process described or approved by a State for the	~~(2)~~**(3)**The student shall be determined as having the ability to benefit from the education or training in accordance with such process as the State shall prescribe. Any such process described or approved by a State for the	

Current Law	Suggested Amendment	Rationale
purposes of this section shall be effective 6 months after the date of submission to the Secretary unless the Secretary disapproves such process. In determining whether to approve or disapprove such process, the Secretary shall take into account the effectiveness of such process in enabling students without high school diplomas or the equivalent thereof to benefit from the instruction offered by institutions utilizing such process, and shall also take into account the cultural diversity, economic circumstances, and educational preparation of the populations served by the institutions.	purposes of this section shall be effective 6 months after the date of submission to the Secretary unless the Secretary disapproves such process. In determining whether to approve or disapprove such process, the Secretary shall take into account the effectiveness of such process in enabling students without high school diplomas or the equivalent thereof to benefit from the instruction offered by institutions utilizing such process, and shall also take into account the cultural diversity, economic circumstances, and educational preparation of the populations served by the institutions."	
Section 481(a)(3)(D) has a student enrollment in which more than 50 percent of the students do not have a high school diploma or its recognized equivalent and does not provide a 4-year or a 2-year program of instruction (or both) for which it awards a bachelor's or associate's degree, respectively, except that the Secretary may waive the limitation contained in this subparagraph if a nonprofit institution demonstrates to the satisfaction of the Secretary that it exceeds such limitation because it serves, through contracts with Federal, State, or local government agencies, significant numbers of students who do not have a high school diploma or its recognized equivalent.	**Strike section 481(a)(3)(D)**	**G-7. Limit on ATB enrollment.** NASFAA recommends eliminating the requirement which limits schools to no more than 50 percent of ATB enrollment unless the two-year or four-year postsecondary institution offers associate's or bachelor's degrees. This requirement only serves to limit educational opportunities for students most in need of the educational services offered by schools. With effective ATB testing in place and with statutory cohort default rates that schools fear will eliminate their eligibility to participate in the loan programs, schools will carefully examine their educational missions and

Current Law	Suggested Amendment	Rationale
		admissions policies so as to not lose their eligibility and, therefore, the 50 percent ATB enrollment cap is unnecessary. NASFAA recommends striking this provision.
No comparable legislative provision.	Section 481 is amended by adding a new subsection that reads as follows: **"(g) LAST DATE OF ATTENDANCE AND/OR ATTENDANCE POLICIES--** **(1) Each eligible institution under this part shall have an attendance policy, including, but not limited to,** **(A) a definition for "last date of attendance" and\or** **(B) a definition for "unofficial withdrawal."** **(2) Such an attendance policy shall not be subject to regulation by the Secretary and shall satisfy the purposes of section 484B under this title."**	**G-8. Last date of attendance and/or attendance policies.** NASFAA's recommendation would mandate schools have an attendance and "last day of attendance" policy that would effectively meet congressional and student consumer concerns, while affording adaptability to a campus's administrative and educational systems. NASFAA believes this provision veers into academic decision-making and delivery of academic services. In the last reauthorization, the Congress attempted to safeguard student rights by allowing a refund of tuition to be based on the student's last day of attendance, but it did not take into consideration the student's responsibility to notify the institution when they officially withdrew from school. The law has been interpreted to place the responsibility on the school and not the student. One problem, for example, is the difficulty postsecondary institutions have trying to force faculty to take class attendance daily. NASFAA recognizes that schools have a special responsibility to provide consumer information to students and parents notifying them of their policies in this matter.

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Current Law	Suggested Amendment	Rationale
Section 482(a)(2)(B) by October 1: final date for submission of FISAP by institutions to the Department;	Section 482(a)(2)(B) is amended to read as follows: "(B) **by on** October 1: ~~final~~ date for submission of FISAP by institutions to the Department;"	**G-9. Secretary required to comply with schedule.** NASFAA's recommendation would prevent the Department from setting too early a date for completion of FISAPs and would allow schools adequate time to complete this form.
No comparable legislative provision.	Section 482 subsection (a) is amended by adding the following new subparagraphs that read as follows: " **(a)(3) The Secretary shall notify eligible institutions and vendors by December 1 prior to the start of an award year of minimal hardware and software requirements necessary to administer programs under this title."**	**G-10. Master calendar.** NASFAA recommends modifying the master calendar in a number of ways. We suggest requiring the Department to have all written guidelines, policy interpretations, handbooks, or other materials available to schools by December 1st. If such materials were not available by December 1st, then schools would be held harmless for their good faith efforts to implement new or newly revised/interpreted regulations without timely guidance provided by the Department.
No comparable legislative provision.	**"(a)(4) The Secretary shall attempt to conduct training activities for financial aid administrators and others in an expeditious and timely manner prior to the start of such award year so as to ensure that all participants shall be fully informed of all administrative requirements."**	NASFAA also urges that Department training activities be conducted in an expeditious manner. NASFAA believes this amendment is essential so that financial aid administrators and others have the tools they need to administer the programs in a timely manner.

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Current Law	Suggested Amendment	Rationale
Section 482(c) DELAY OF EFFECTIVE DATE OF LATE PUBLICATIONS.--Any regulatory changes initiated by the Secretary affecting the programs pursuant to this title that have not been published in final form by December 1 prior to the start of the award year shall not become effective until the beginning of the second award year after such December 1 date. For award year 1994-95, this subsection shall not require a delay in the effectiveness of regulatory changes affecting parts B, G, and H of this title that are published in final form by May 1, 1994.	Section 482(c) is amended to read as follows: "(c) DELAY OF EFFECTIVE DATE OF LATE PUBLICATIONS.--**(1)** Any regulatory changes initiated by the Secretary affecting the programs pursuant to this title that have not been published in final form by December 1 prior to the start of the award year shall not become effective until the beginning of the second award year after such December 1 date. **(2) Eligible institutions shall be held harmless for good faith efforts to implement new or revised regulations for which any written guidelines, policy interpretations, handbooks or other materials necessary to administer the program pursuant to this title have not been published in final form and made available to schools by December 1 prior to the start of the award year. ~~For award year 1994-95, this subsection shall not require a delay in the effectiveness of regulatory changes affecting parts B, G, and H of this title that are published in final form by May 1, 1994.~~"**	NASFAA recommends, as part of the Master Calendar, that schools have enough notice and lead time from the Department to purchase or install electronic hardware and software which is necessary to administer the Title IV programs in the upcoming award year. NASFAA further would require the Secretary to notify vendors by that date of software parameters so that they might produce acceptable software products that meet or exceed federal standards.
Section 482(d) NOTICE TO CONGRESS.--The Secretary shall notify the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives when the items specified in the calendar have been completed and provide all relevant forms,	Section 482(d) is amended to read as follows: "(d) NOTICE TO CONGRESS.--The Secretary shall notify the Committee on Labor and Human Resources of the Senate and the Committee on Education and **~~Labor~~ the Workforce** of the House of Representatives when the items specified in the calendar have	**G-11. Notice to Congress.** The updating portion of this recommendation is a technical conforming change in legislative language. The second part would give representatives of the higher education community the same notification that Congress receives to be better informed in this area.

Current Law	Suggested Amendment	Rationale
rules, and instructions with such notice. When a deadline included in the calendar is not met, the Secretary, within 7 days, shall submit to the Committee on Labor and Human Resources of the Senate and the Committee on Education and Labor of the House of Representatives a written report, including proper documentation, as to why the deadline was not adhered to and a detailed plan for ensuring that subsequent dates are met. Nothing in this section shall be interpreted to penalize institutions or deny them the specified times allotted to enable them to return information to the Secretary based on the failure of the Secretary to adhere to the dates specified in this section.	been completed and provide all relevant forms, rules, and instructions with such notice. When a deadline included in the calendar is not met, the Secretary, within 7 days, shall submit to the Committee on Labor and Human Resources of the Senate and the Committee on Education and **~~Labor~~ the Workforce** of the House of Representatives a written report, including proper documentation, as to why the deadline was not adhered to and a detailed plan for ensuring that subsequent dates are met. **The Secretary shall publish such written report in the Federal Register concurrent with the notification of the cited congressional committees.** Nothing in this section shall be interpreted to penalize institutions or deny them the specified times allotted to enable them to return information to the Secretary based on the failure of the Secretary to adhere to the dates specified in this section."	
Section 483(a)	**See NASFAA recommendation LP-7.**	**GL-12. FAFSA use for FFEL Program.**
Section 483(d) TOLL-FREE INFORMATION.--The Secretary shall contract for, or establish, and publicize a toll-free telephone service to provide timely and accurate information to the general public. The information provided shall include specific instructions on completing the application form for assistance under this title. Such service	**Retain current law.**	**G-13. Toll-free information.** NASFAA believes the toll-free number is a useful aid and should be retained to continue providing services for students, families, high school guidance counselors among others.

Current Law	Suggested Amendment	Rationale
shall also include a service accessible by telecommunications devices for the deaf (TDD's) and shall, in addition to the services provided for in the previous sentence, refer such students to the national clearinghouse on postsecondary education that is authorized under section 633(c) of the Individuals with Disabilities Education Act.		
Section 483 (e) PREPARER.--Any financial aid application required to be made under this title shall include the name, signature, address or employer's address, social security number or employer identification number, and organizational affiliation of the preparer of such financial aid application.	Section 483 (e) is amended to read as follows: "(e) PREPARER.--Any financial aid application required to be made under this title shall include the name, signature, address or employer's address, social security number or employer identification number, and organizational affiliation of the preparer of such financial aid application, **if such preparer or preparer's company required a fee from the applicant or the applicant's family for assisting in completing the FAFSA.**"	**G-14. FAFSA preparation.** NASFAA recommends that only those paid by an applicant to complete a FAFSA should provide the required preparer's information. This requirement would not apply to financial aid administrators, unless such individual was working in a private capacity and received compensation for the preparation of a FAFSA. It makes little sense to have high school guidance counselors and financial aid administrators provide such information in the performance of their usual duties, especially since the Department does little with the collected data.
Section 484(a) STUDENT ELIGIBILITY. IN GENERAL.--In order to receive any grant, loan, or work assistance under this title, a student must--	Section 484(a) is amended to read as follows: "(a) STUDENT ELIGIBILITY. IN GENERAL.--In order to receive any **federal** grant, loan, or work assistance under this title, a student must--"	**G-15. General student eligibility.** This change makes it clear that the eligibility requirements apply only to federal grant, loan, and work assistance.

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Section 484(a)(4) file with the institution of higher education which the student intends to attend, or is attending (or in the case of a loan or loan guarantee with the lender), a document, which need not be notarized, but which shall include-- (A) a statement of educational purpose stating that the money attributable to such grant, loan, or loan guarantee will be used solely for expenses related to attendance or continued attendance at such institution; and (B) such student's social security number, except that the provisions of this subparagraph shall not apply to a student from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau;	Section 484(a)(4) is amended to read as follows: "(4) file with the **federal government as part of the original financial aid application process a** ~~**institution of higher education which the student intends to attend, or is attending (or in the case of a loan or loan guarantee with the lender), a document, a certification,**~~ which need not be notarized, but which shall include-- (A) a statement of educational purpose stating that the money attributable to such grant, loan, or loan guarantee will be used solely for expenses related to attendance or continued attendance at such institution; and (B) such student's social security number, except that the provisions of this subparagraph shall not apply to a student from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau;"	**G-16. Required student document.** NASFAA recommends that a separate filing of a statement of educational purpose and Social Security Number with a school is no longer necessary since these items are on the FAFSA.
No comparable legislative provision.	Section 484(b) is amended by adding a new subsection that reads as follows: **"(q) REMEDIAL COURSEWORK ELIGIBILITY--(1) No student or borrower shall be eligible for assistance under this title for more than one year's worth of enrollment in a non-credit or remedial course of study as defined in paragraph (2), (2) Nothing in this title shall exclude from eligibility courses of study which are noncredit or remedial in nature (including**	**G-17. Remedial education eligibility.** NASFAA recommends that students taking remedial courses have Title IV eligibility for no more than the equivalent of one academic year. NASFAA believes the equivalent of one academic year's Title IV eligibility for remedial coursework is a responsible limitation. This provision would encourage students to receive the skills they need to succeed academically and exclude eligibility for individuals whose academic deficiencies

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	courses in English language instruction) which are determined by the institution to be necessary to help the student be prepared for the pursuit of a first undergraduate baccalaureate degree or certificate or, in the case of courses in English language instruction, to be necessary to enable the student to utilize already existing knowledge, training, or skills. Nothing in this section shall exclude from eligibility programs of study abroad that are approved for credit by the home institution at which the student is enrolled."	are too great to overcome after they have had a reasonable opportunity to attempt a postsecondary education. This recommendation would allow an individual to take remedial courses beyond one calendar year as long as they did not continue in remedial courses beyond the equivalent of one academic year's eligibility.
Section 401(c) PERIOD OF ELIGIBILITY FOR GRANTS.--(1) The period during which a student may receive basic grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance except that any period during which the student is enrolled in a noncredit or remedial course of study as defined in paragraph (2) shall not be counted for the purpose of this paragraph.	Section 401(c) is amended to read as follows: "(c) PERIOD OF ELIGIBILITY FOR GRANTS.--(1) The period during which a student may receive basic grants shall be the period required for the completion of the first undergraduate baccalaureate course of study being pursued by that student at the institution at which the student is in attendance. ~~except that any period during which the student is enrolled in a noncredit or remedial course of study as defined in paragraph (2) shall not be counted for the purpose of this paragraph.~~	
(2) Nothing in this section shall exclude from eligibility courses of study which are noncredit or remedial in nature (including courses in English language instruction) which are	~~(2) Nothing in this section shall exclude from eligibility courses of study which are noncredit or remedial in nature (including courses in English language instruction)~~	

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determined by the institution to be necessary to help the student be prepared for the pursuit of a first undergraduate baccalaureate degree or certificate or, in the case of courses in English language instruction, to be necessary to enable the student to utilize already existing knowledge, training, or skills. Nothing in this section shall exclude from eligibility programs of study abroad that are approved for credit by the home institution at which the student is enrolled. (3) No student is entitled to receive Pell Grant payments concurrently from more than one institution or from the Secretary and an institution.	~~which are determined by the institution to be necessary to help the student be prepared for the pursuit of a first undergraduate baccalaureate degree or certificate or, in the case of courses in English language instruction, to be necessary to enable the student to utilize already existing knowledge, training, or skills.~~ Nothing in this section shall exclude from eligibility programs of study abroad that are approved for credit by the home institution at which the student is enrolled. (3) No student is entitled to receive Pell Grant payments concurrently from more than one institution or from the Secretary and an institution."	
Section 484(d) STUDENTS WHO ARE NOT HIGH SCHOOL GRADUATES.--In order for a student who does not have a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, to be eligible for any assistance under subparts 1, 3, and 4 of part A and parts B, C, D, and E of this title,	**Retain introductory paragraph in current law, Section 484(d).**	**G-18. Student eligibility.** Some have proposed that a high school diploma be a singular standard for Title IV eligibility rather than the current eligibility criteria of high school diploma, its recognized equivalent (most often the GED), or by meeting ability-to-benefit (ATB) criteria. After study NASFAA concluded current law should be retained. NASFAA notes evidence that many individuals with GEDs or those admitted under ATB academically outperform recipients of high school diplomas. NASFAA believes eliminating current law provisions and requiring only a high school diploma would

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		deny educational opportunities to that segment of our society most in need of the chance to improve their academic and career skills.
Section 1113 public law 97-252	**Repeal Section 1113 Public Law 97-252 (50 U.S.C. sec. 462(f))** **and**	**G-19. Data base matching.** NASFAA recommends eliminating the provisions related to Selective Service registration from the Higher Education Act and repeal of section 1113 of P.L. 97-252 (50 U.S.C. sec. 462(f)). If the government believes that Selective Service registration is useful, then it should use means other than the Title IV programs to force compliance. NASFAA recommends that compliance can be attained in more cost effective ways and with less paperwork and bureaucracy than through use of the Title IV programs. NASFAA recommends retaining section 484(n), however, if the Congress did not repeal the statute requiring Selective Service registration.
Section 484 (n) DATA BASE MATCHING.--To enforce the Selective Service registration provisions of section 1113 of Public Law 97-252, the Secretary shall conduct data base matches with the Selective Service, using common demographic data elements. Appropriate confirmation, through an application output document or through other means, of any person's registration shall fulfill the requirement to file a separate statement of compliance. In the absence of a confirmation from such data matches, an institution may also use data or documents that support either the student's registration, or the absence of a registration requirement for the student, to fulfill the requirement to file a separate statement of compliance. The mechanism for reporting the resolution of nonconfirmed matches shall be prescribed by the Secretary in regulations.	**Delete the paragraph below only if the above recommendation is accepted.** **Section 484 ~~(n) DATA BASE MATCHING.--To enforce the Selective Service registration provisions of section 1113 of Public Law 97-252, the Secretary shall conduct data base matches with the Selective Service, using common demographic data elements. Appropriate confirmation, through an application output document or through other means, of any person's registration shall fulfill the requirement to file a separate statement of compliance. In the absence of a confirmation from such data matches, an institution may also use data or documents that support either the student's registration, or the absence of a registration requirement for the student, to fulfill the requirement to file a separate statement of compliance. The mechanism for reporting the resolution of nonconfirmed matches shall be prescribed by the Secretary in regulations.~~**	

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No comparable legislative provision.	Section 484 is amended to add the follow new subsection that reads as follows: **"(q) A student eligible for assistance under this title, having met the requirements of (a)(5) of this section, shall present only a completed I-9 and a college issued picture identification card to satisfy the requirements of the Immigration and Nationality Act, 8 U.S.C. in order to qualify for assistance under Part C."**	**G-20. FWS I-9 employment eligibility verification.** The current practice requires the collection of copies of social security cards, alien registration cards, citizenship documents, or passports when citizenship, social security and INS matches are performed in the application process. NASFAA's recommendation would vastly simplify this process without compromising the law's intent. The suggested amendment would require the individual submit only an I-9 and the picture identification card each college issues to satisfy immigration employment requirements.
Section 484A STATUTE OF LIMITATIONS. (a) IN GENERAL.--(1) It is the purpose of this subsection to ensure that obligations to repay loans and grant overpayments are enforced without regard to any Federal or State statutory, regulatory, or administrative limitation on the period within which debts may be enforced. (2) Notwithstanding any other provision of statute, regulation, or administrative limitation, no limitation shall terminate the period within which suit may be filed, a judgment may be enforced, or an offset, garnishment, or other action initiated or taken by-- (A) an institution that receives funds under this title that is seeking to collect a refund due	Section 484A is amended by adding a new subsection that reads as follows: **"(c) Special Rule--A student's, or, in the case of a loan received on behalf of the student by a parent under Section 428B, a parent's liability to repay any grant, loan, or work award provided under this title, including overawards, shall be canceled upon the death of the student or former student."**	**G-21. Forgiveness of grant repayment in the event of death.** The suggested amendment would eliminate the liability of a student's estate or family to repay a grant in the event of student's death. Currently loans, including PLUS loans, may be forgiven in the case of the death of a student. While such cases are rare, the NASFAA believes this compassionate treatment should be extended when an individual dies and has a grant repayment pending which is not the way matters are currently handled.

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from a student on a grant made, or work assistance awarded, under this title;

(B) a guaranty agency that has an agreement with the Secretary under section 428(c) that is seeking the repayment of the amount due from a borrower on a loan made under part B of this title after such guaranty agency reimburses the previous holder of the loan for its loss on account of the default of the borrower;

(C) an institution that has an agreement with the Secretary pursuant to section 453 or 463(a) that is seeking the repayment of the amount due from a borrower on a loan made under part D or E of this title after the default of the borrower on such loan; or

(D) the Secretary, the Attorney General, or the administrative head of another Federal agency, as the case may be, for payment of a refund due from a student on a grant made under this title, or for the repayment of the amount due from a borrower on a loan made under this title that has been assigned to the Secretary under this title.

(b) ASSESSMENT OF COSTS AND OTHER CHARGES.--Notwithstanding any provision of State law to the contrary--

(1) a borrower who has defaulted on a loan made under this title shall be required to pay, in addition to other charges specified in this title, reasonable collection costs; and

(2) in collecting any obligation arising from a

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loan made under part B of this title, a guaranty agency or the Secretary shall not be subject to a defense raised by any borrower based on a claim of infancy.		
Section 484B. INSTITUTIONAL REFUNDS. (a) REFUND POLICY REQUIRED.--Each institution of higher education participating in a program under this title shall have in effect a fair and equitable refund policy under which the institution refunds unearned tuition, fees, room and board, and other charges to a student who received grant or loan assistance under this title, or whose parent received a loan made under section 428B on behalf of the student, if the student-- (1) does not register for the period of attendance for which the assistance was intended; or (2) withdraws or otherwise fails to complete the period of enrollment for which the assistance was provided.	Section 484B is amended to read as follows: 1. **Section 484B(a) retains current law.**	**G-22. Refunds and repayment.** NASFAA and the entire student aid community desires a simplified refund process that is explainable to our students.
(b) DETERMINATIONS. --The institution's refund policy shall be considered to be fair and equitable for purposes of this section if that policy provides for a refund in an amount of at least the largest of the amounts provided under-- (1) the requirements of applicable State law;	Section 484B(b) is amended to read as follows: **"(b) DETERMINATIONS.--The institution's refund policy shall be considered to be fair and equitable to the purposes of this section if that policy provides for a refund in an amount** **(1) first, as defined by the requirements of**	The recommended Section 484B(b) is written in priority fashion, i.e. if the State law provision does not apply then one goes to the next level the refund policy of the primary nationally recognized accrediting agency. If there is no refund policy established by the primary accrediting agency, then the institution would use the Federal Refund. Since the

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(2) the specific refund requirements established by the institution's nationally recognized accrediting agency and approved by the Secretary; or (3) the pro rata refund calculation described in subsection (c), except that this paragraph will not apply to the institution's refund policy for any student whose date of withdrawal from the institution is after the 60 percent point (in time) in the period of enrollment for which the student has been charged. (c) DEFINITIONS.--(1) As used in this section, the term ``pro rata refund'' means a refund by the institution to a student attending such institution for the first time of not less than that portion of the tuition, fees, room and board, and other charges assessed the student by the institution equal to the portion of the period of enrollment for which the student has been charged that remains on the last day of attendance by the student, rounded downward to the nearest 10 percent of that period, less any unpaid charges owed by the student for the period of enrollment for which the student has been charged, and less a reasonable administrative fee not to exceed the lesser of 5 percent of the tuition, fees, room and board, and other charges assessed the student, or	**applicable State law, in those cases where there is no applicable state law; or** **(2) next, the specific refund requirements established by the institution's primary nationally recognized accrediting agency, in those cases where there is no applicable accrediting agency refund policy, or** **(3) finally, the Federal Refund as defined in (c), and** **(4) nothing shall preclude an institution from providing a larger refund than that provided under this section.** **(c) DEFINITIONS.--(1)(a) The Federal Refund is a calculation of both the amounts to be refunded to all sources of payment (except FWS) to the school for tuition, fees, room and board, and other charges assessed the student by the institution and the amount the institution is permitted to retain. The amount an institution may retain is equal to the portion of the enrollment period the student has been charged through the date of non-enrollment established by the institution divided by the total period of time in the enrollment period for which the student has been charged rounded up to the nearest 1/10th. The difference between the amount paid and the amount retained is the refund. The Federal Refund calculation**	Secretary was not inclined to approve any accrediting agency refund policies since the last reauthorization, Secretarial approval has been removed from the statute. The Secretary has the appropriate means under Section 496 to resolve any concerns regarding refund policies established by the accrediting association. The Federal Refund calculation is streamlined and simplified in a manner explainable to all students as a proportionate means of returning Title IV dollars back to the appropriate Title IV sources when a student drops out or withdraws prior to the end of the first half of the enrollment period. The focus is on the calculation of the amount the institution can retain and then subtracting that amount from the amount paid to determine the refund for each fund source to support the simplification process. This manner of calculation allows for appropriate protection of federal resources (and places priority on repaying loans first) and, yet, in those cases where the student has a balance due, the unpaid portion can be resolved with any remaining cash or remains as a receivable to the institution. Thus, the difficulty of dealing with scheduled unpaid cash balances disappears. Note that the administration fee of the lesser of $100 or 5% has been dropped to simplify the process. The upward rounding of the amount retained is simply the inverse

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$100.	**described in this section will not apply for any student whose date of non-enrollment as determined by the institution is after the 50 percent point in time in the enrollment period for which the student has been charged. In those cases where the amount of the refund is less than $200, rounded to the nearest whole dollar, the institution will determine the refund distribution to the various fund sources. In those cases where the refund is $200, or more the refund amount is returned to the funding source under this title in a proportionate manner and rounded to nearest whole dollar. At those institutions where student account debit cards or other similar technology is utilized actual charges are due the institution and are thus excluded under paragraph (3) of subsection (b) of this section. All federal resources that are to be refunded apply first to loans to reduce indebtedness.** **(b) Similarly, amounts paid to the student from grants under this title will be subject to repayment on the same proportionate basis as the refund formula above.**	function of the previously legislated rounding down to the nearest 10% of the refund. NASFAA's proposal gives the community a single refund and repayment calculation rather than requiring administrative procedures in our current situation to accommodate pro rata, the institutional, and the federal formula. NASFAA believes that for those institutions not covered by state law or accrediting agency refund policy, a proportional refund and repayment is understandable for our students and for the institution to administer.
(2) For purposes of paragraph (1), ``the portion of the period of enrollment for which the student has been charged that remains", shall be determined-- (A) in the case of a program that is measured	**(2) For the purposes of paragraph (1), "the portion of the period of enrollment for which the student has been charged shall be determined--** **(A) in the case if a program that is**	

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in credit hours, by dividing the total number of weeks comprising the period of enrollment for which the student has been charged into the number of weeks remaining in that period as of the last recorded day of attendance by the student;	**measured in credit hours, by dividing the total number of weeks the student has been enrolled for which the student has been charged by the number of weeks in the period of enrollment:**	
(B) in the case of a program that is measured in clock hours, by dividing the total number of clock hours comprising the period of enrollment for which the student has been charged into the number of clock hours remaining to be completed by the student in that period as of the last recorded day of attendance by the student; and	**(B) in the case of a program that is measured in clock hours, by dividing the total number of clock hours the student has been enrolled for which the student has been charged by the total number of clock hours in the period of enrollment:**	
(C) in the case of a correspondence program, by dividing the total number of lessons comprising the period of enrollment for which the student has been charged into the total number of such lessons not submitted by the student.	**(C) in the case of a correspondence program, by dividing the number of lessons submitted by the total number of lessons in the period of enrollment for which the student has been charged.**	
	(3) Excludable charges are certain charges payable to the school that are not a part of the refund calculation and include fines, books and supplies and unreturnable equipment if specified in writing.	
	(4) Consumer disclosure.--The institution must conspicuously disclose the refund policy to all student enrolled and to prospective students in the institution's consumer materials."	

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Section 485 INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS. (a) INFORMATION DISSEMINATION ACTIVITIES.--(1) Each eligible institution participating in any program under this title shall carry out information dissemination activities for prospective and enrolled students (including those attending or planning to attend less than full time) regarding the institution and all financial assistance under this title. The information required by this section shall be produced and be made readily available, through appropriate publications and mailings, to all current students, and to any prospective student upon request. The information required by this section shall accurately describe--	Section 485 is amended to read as follows: "INSTITUTIONAL AND FINANCIAL ASSISTANCE INFORMATION FOR STUDENTS. (a) INFORMATION DISSEMINATION ACTIVITIES.--(1) Each eligible institution participating in any program under this title shall carry out information dissemination activities for prospective and enrolled students (including those attending or planning to attend less than full time) regarding the institution and all financial assistance under this title. The information required by this section shall be produced and be made readily available **upon request**, through appropriate publications**, ~~and~~** mailings, **and electronic media** to all **~~current~~ enrolled** students, and to any prospective student **~~upon request~~, except that annually all enrolled students shall be provided a list of the information that is required under this section and informed of the procedures for which they may obtain or review such information**. The information required by this section shall accurately describe--"	**G-23. Information dissemination activities.** NASFAA recommends updating this section to better reflect changes in technology and the realities of campus information-sharing. NASFAA strongly believes students must be adequately informed of student financial aid procedures and policies and must understand their rights and responsibilities. NASFAA recommends rewriting of this section so that consumer information is provided to students in a more cost effective and streamlined fashion. The current statutory requirements are too prescriptive and forces unnecessary costs on schools who can provide such information to Title IV recipients in more effective and efficient ways than the "one size fits all" approach in the current HEA.
Section 485(a)(2) For the purpose of this section, the term ``prospective student'' means any individual who has contacted an eligible institution requesting information concerning admission to that institution.	Section 485(a)(2) is amended to read as follows: "For the purpose of this section, the term ``prospective student'' means any individual who has **made an application for admission to ~~contacted~~** an eligible institution **~~requesting information concerning~~**	

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	~~admission to that institution~~."	
Section 485(a)(3) In calculating the completion or graduation rate under subparagraph (L) of paragraph (1) of this subsection or under subsection (e), a student shall be counted as a completion or graduation if, within 150 percent of the normal time for completion of or graduation from the program, the student has completed or graduated from the program, or enrolled in any program of an eligible institution for which the prior program provides substantial preparation. The information required to be disclosed under such subparagraph-- (A) shall, for any academic year beginning more than 270 days after the Secretary first prescribes final regulations pursuant to such subparagraph (L), be made available to current and prospective students prior to enrolling or entering into any financial obligation; and (B) shall cover the one-year period ending on June 30 of the preceding year.	Section 485(a)(3) is amended to read as follows: "(3) In calculating the completion or graduation rate under **this title** ~~subparagraph (L) of paragraph (1) of this subsection or under subsection (e)~~, a student shall be counted as a completion or graduation if, within 150 percent of the normal time for completion of or graduation from the program, the student has completed or graduated from the program, or enrolled in any program of an eligible institution for which the prior program provides substantial preparation. The information required to be disclosed under such subparagraph-- (A) shall, for any academic year beginning more than 270 days after the Secretary first prescribes final regulations pursuant to such subparagraph (L), be made available to current and prospective students prior to enrolling or entering into any financial obligation; and (B) shall cover the one-year period ending on June 30 of the preceding year."	
Section 485(a)(1)(M) the terms and conditions under which students receiving guaranteed student loans under part B of this title or direct student loans under part E of this title, or both, may--	Section 485(a)(1)(M) is amended to read as follows: "(M) **subject to the provisions of subsection (b),** the terms and conditions under which students receiving guaranteed student loans under part B of this title or direct student loans under part E of this title, or both, may--	**G-24. Exit/entrance counseling.** NASFAA believes it is important that student borrowers are fully informed about any loan they may assume such as its terms and conditions and the borrower's rights and responsibilities. However, NASFAA believes

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(i) obtain deferral of the repayment of the principal and interest for service under the Peace Corps Act (as established by the Peace Corps Act (22 U.S.C. 2501) et seq.)) or under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4951 et seq.), or for comparable full-time service as a volunteer for a tax-exempt organization of demonstrated effectiveness in the field of community service, and (ii) obtain partial cancellation of the student loan for service under the Peace Corps Act (as established by the Peace Corps Act (22 U.S.C. 2501 et seq.)) under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4951 et seq.) or, for comparable full-time service as a volunteer for a tax-exempt organization of demonstrated effectiveness in the field of community service; and	(i) obtain deferral of the repayment of the principal and interest for service under the Peace Corps Act (as established by the Peace Corps Act (22 U.S.C. 2501) et seq.)) or under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4951 et seq.), or for comparable full-time service as a volunteer for a tax-exempt organization of demonstrated effectiveness in the field of community service, and (ii) obtain partial cancellation of the student loan for service under the Peace Corps Act (as established by the Peace Corps Act (22 U.S.C. 2501 et seq.)) under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 4951 et seq.) or, for comparable full-time service as a volunteer for a tax-exempt organization of demonstrated effectiveness in the field of community service; and"	the HEA unduly prescribes the content and the delivery of such information that schools provide and that the law should be changed. In NASFAA's opinion, schools are more familiar with their diverse student population and are in the best position to know what information borrowers need to know; when to provide such information; and how such information can be most effectively conveyed. If this recommendation is approved by the Congress, then each school must provide appropriate loan counseling. The recommendation envisions that schools would be able to provide such information as appropriate to its content, context, timing, and delivery. Innovations such as the World Wide Web, E-mail, or other advanced technologies may be used. The school would be subject to examination in a program review in its counseling activities.
Section 485(b) is amended as follows: EXIT COUNSELING FOR BORROWERS.--(1)(A) Each eligible institution shall, through financial aid officers or otherwise, make available counseling to borrowers (individually or in groups) of loans which are made, insured, or guaranteed under part B (other than loans made pursuant to section 428B) of this title or made under part D or E of this title prior to the completion of the course of study for which the borrower enrolled at the institution or at the	Section 485(b) is amended to read as follows: "(b) EXIT COUNSELING FOR BORROWERS.--(1)(A) Each eligible institution shall, through financial aid officers or otherwise, make available counseling to borrowers (individually or in groups) of loans which are made, insured, or guaranteed under part B (other than loans made pursuant to section 428B) of this title or made under part D or E of this title prior to the completion of the course of study for which the borrower	

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time of departure from such institution. The counseling required by this subsection shall include-- (i) the average anticipated monthly repayments, a review of the repayment options available, and such debt and management strategies as the institution determines are designed to facilitate the repayment of such indebtedness; and (ii) the terms and conditions under which the student may obtain partial cancellation or defer repayment of the principal and interest pursuant to sections 428(b), 464(c)(2), and 465. (B) In the case of borrower who leaves an institution without the prior knowledge of the institution, the institution shall attempt to provide the information described in subparagraph (A) to the student in writing. (2)(A) Each eligible institution shall require that the borrower of a loan made under part B, D, or E submit to the institution, during the exit interview required by this subsection-- (i) the borrower's expected permanent address after leaving the institution (regardless of the reason for leaving); (ii) the name and address of the borrower's expected employer after leaving the institution; (iii) the address of the borrower's next of kin; and	enrolled at the institution or at the time of departure from such institution. The counseling required by this subsection **~~shall~~ may, but is not limited to** include-- (i) the average anticipated monthly repayments, a review of the repayment options available, and such debt and management strategies as the institution determines are designed to facilitate the repayment of such indebtedness; and (ii) the terms and conditions under which the student may obtain partial cancellation or defer repayment of the principal and interest pursuant to sections 428(b), 464(c)(2), and 465. (B) In the case of borrower who leaves an institution without the prior knowledge of the institution, the institution shall attempt to provide the information described in subparagraph (A) to the student in writing. (2)(A) Each eligible institution shall require that the borrower of a loan made under part B, D, or E submit to the institution, during the exit interview required by this subsection-- (i) the borrower's expected permanent address after leaving the institution (regardless of the reason for leaving); (ii) the name and address of the borrower's expected employer after leaving the institution; (iii) the address of the borrower's next of kin; and	

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(iv) any corrections in the institution's records relating the borrower's name, address, social security number, references, and driver's license number. (B) The institution shall, within 60 days after the interview, forward any corrected or completed information received from the borrower to the guaranty agency indicated on the borrower's student aid records.	(iv) any corrections in the institution's records relating the borrower's name, address, social security number, references, and driver's license number. (B) The institution shall, within 60 days after the interview, forward any corrected or completed information received from the borrower to the guaranty agency indicated on the borrower's student aid records. **(3) The content and methods of delivery of information furnished under paragraph (1),** **(A) shall be determined by the eligible institution, and** **(B) shall not be subject to regulation by the Secretary."**	
No comparable legislative provision.	Section 485 is amended by adding the following new subsection that read as follows: **"(g)The Secretary shall establish regulations supporting and encouraging the development and use of distance and non-traditional education methods, including accelerated programs. The Secretary shall report to the Congress on those provisions of the Higher Education Act that present obstacles to such encouragement and development and recommend technical and other amendments within six months of the date of enactment of this Act."**	**G-25. Distance and non-traditional education.** NASFAA recommends requiring the Secretary of Education to establish regulations that support and encourage the development and use of distance and non-traditional education methods, including accelerated programs. Further, NASFAA would direct the Secretary to report to the Congress on those sections of the Higher Education Act that present obstacles to such encouragement and development and recommend technical amendments within 6 months of the date of enactment. NASFAA notes the difficulties inherent in drafting legislation to govern distance learning and

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		nontraditional education as the number and variety of such programs is increasing rapidly. The exponential increase in use of the Internet, particularly as facilitated by the World Wide Web, is likely to continue for some period of time. The postsecondary education community should continue to monitor, study, and evaluate the characteristics of distance learning and non-traditional education programs. At the same time, the Secretary should propose regulations that will both support these programs in all their diversity and protect the government's financial interest. As American higher education innovates a number of schools wish to institute distance, non-traditional, and year-round academic programs, but the HEA contains disincentives for the receipt of aid that would allow such cost saving initiatives. NASFAA recognizes that such distance education, non-traditional, and accelerated programs, not only have academic merit, but also, have attractive cost implications. Such programs would reduce the cost of a postsecondary institution for participating students and parents. They also reduce institutional costs as well. For those public postsecondary institutions with such innovative programs, those local and state taxpayers would see financial benefits. Independent postsecondary institutions with

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		these programs would also benefit from lower expenditures. Academically sound alternative educational delivery programs have the potential to dramatically restrain rising college costs.
Section 485B. NATIONAL STUDENT LOAN DATA SYSTEM. (a) DEVELOPMENT OF THE SYSTEM.--The Secretary shall consult with a representative group of guaranty agencies, eligible lenders, and eligible institutions to develop a mutually agreeable proposal for the establishment of a National Student Loan Data System containing information regarding loans made, insured, or guaranteed under part B and loans made under parts D and E, and for allowing the electronic exchange of data between program participants and the system. In establishing such data system, the Secretary shall place a priority on providing for the monitoring of enrollment, student status, information about current loan holders and servicers, and internship and residency information. Such data system shall also permit borrowers to use the system to identify the current loan holders and servicers of such borrower's loan...	Section 485B is amended by adding a new subsection that reads as follows: **"(h) The Secretary shall implement the third sentence in paragraph (a) no later than one year after the date of enactment of this Act."**	**G-26. Student access to NSLDS personal data.** NASFAA recommends this student consumer provision so that students may check the accuracy of their own data in the NSLDS and to inform themselves of other information they might need, such as, who or what is the address of the holders of their loans. Individuals accessing this data would have access only to their personal data no one else's data. Our recommendation will ensure the Department implements this provision from the Higher Education Amendments of 1992 in a responsible and timely fashion.

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Section 485C SIMPLIFICATION OF THE LENDING PROCESS FOR BORROWERS. (a) ALL LIKE LOANS TREATED AS ONE.--To the extent practicable, and with the cooperation of the borrower, eligible lenders shall treat all loans made to a borrower under the same section of part B as one loan and shall submit one bill to the borrower for the repayment of all such loans for the monthly or other similar period of repayment. Any deferments on one such loan will be considered a deferment on the total amount of all such loans. (b) ONE LENDER, ONE GUARANTY AGENCY.--To the extent practicable, and with the cooperation of the borrower, the guaranty agency shall ensure that a borrower only have one lender, one holder, one guaranty agency, and one servicer with which to maintain contact.	Section 485C is amended by adding a new subsection that reads as follows: **"(c) AUTOMATIC IN-SCHOOL DEFERMENT PROCESS. -- With regard to a deferment granted under section 427(a)(2)(C)(i); section 428(b)(1)(M)(i); section 455(f)(2)(A); or section 464(c)(2)(A)(i), an institution of higher education may, on behalf of a student, initiate the deferment provided the student receives notice of the deferment and is provided the opportunity to continue making payments."**	**G-27. Automatic in-school deferments.** The suggested amendment would permit schools to automatically provide student borrowers an in-school deferment in the case of individuals returning to their studies who have outstanding loans. The student would get a notice from the lender or servicer and could, if he or she chose to do so, continue to make loan payments. This change would bypass the current confusing process and ensure that students do not end up in technical default while waiting to file for their deferment.
Section 487(a)(9) In the case of an institution participating in a program under part B, the institution will inform all eligible borrowers enrolled in the institution about the availability and eligibility of such borrowers for State grant assistance from the State in which the institution is located, and will inform such borrowers from another State of the source for further information concerning such assistance from that State.	Strike Section 487(a)(9) ~~**In the case of an institution participating in a program under part B, the institution will inform all eligible borrowers enrolled in the institution about the availability and eligibility of such borrowers for State grant assistance from the State in which the institution is located, and will inform such borrowers from another State of the source for further information concerning such assistance**~~	**G-28. Program Participation Agreement provision of state grant assistance.** Providing information on the availability and eligibility of students for state grant assistance is not the responsibility of postsecondary institutions. Schools attempting to assemble such information find it so general as to be of little use. NASFAA recommends developing alternative and more effective means of carrying out the purpose of this section by

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	~~from that State.~~	modifying section 485(d) that would serve students more effectively and efficiently with the Department of Education providing such sources of information for students.
Section 485(d) DEPARTMENTAL PUBLICATION OF DESCRIPTIONS OF ASSISTANCE PROGRAMS.--The Secretary shall make available to eligible institutions, eligible lenders, and secondary schools descriptions of Federal student assistance programs including the rights and responsibilities of student and institutional participants, in order to (1) assist students in gaining information through institutional sources, and (2) assist institutions in carrying out the provisions of this section, so that individual and institutional participants will be fully aware of their rights and responsibilities under such programs.	Section 485(d) is amended to read as follows: "(d) DEPARTMENTAL PUBLICATION OF DESCRIPTIONS OF ASSISTANCE PROGRAMS.--The Secretary shall make available to eligible institutions, eligible lenders, and secondary schools descriptions of Federal student assistance programs including the rights and responsibilities of student and institutional participants, in order to (1) assist students in gaining information through institutional sources, ~~and~~ (2) assist institutions in carrying out the provisions of this section, so that individual and institutional participants will be fully aware of their rights and responsibilities under such programs**, and (3) provide students and prospective students with information on state grant sources**.	
In particular, such information shall include information to enable students and prospective students to assess the debt burden and monthly and total repayment obligations that will be incurred as a result of receiving loans of varying amounts under this title. In addition, such information shall include information to enable borrowers to assess the practical consequences of loan consolidation, including differences in deferment eligibility, interest rates, monthly payments, and finance charges, and samples of loan consolidation profiles to	In particular, such information shall include information to enable students and prospective students to assess the debt burden and monthly and total repayment obligations that will be incurred as a result of receiving loans of varying amounts under this title. In addition, such information shall include information to enable borrowers to assess the practical consequences of loan consolidation, including differences in deferment eligibility, interest rates, monthly payments, and finance charges, and samples of loan consolidation profiles to	

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illustrate such consequences. The Secretary shall provide information concerning the specific terms and conditions under which students may obtain partial or total cancellation or defer repayment of loans for service, shall indicate (in terms of the Federal minimum wage) the maximum level of compensation and allowances that a student borrower may receive from a tax-exempt organization to qualify for a deferment, and shall explicitly state that students may qualify for such partial cancellations or deferments when they serve as a paid employee of a tax-exempt organization. Such information shall be provided by eligible institutions and eligible lenders at any time that information regarding loan availability is provided to any student.	illustrate such consequences. The Secretary shall provide information concerning the specific terms and conditions under which students may obtain partial or total cancellation or defer repayment of loans for service, shall indicate (in terms of the Federal minimum wage) the maximum level of compensation and allowances that a student borrower may receive from a tax-exempt organization to qualify for a deferment, and shall explicitly state that students may qualify for such partial cancellations or deferments when they serve as a paid employee of a tax-exempt organization. Such information shall be provided by eligible institutions and eligible lenders at any time that information regarding loan availability is provided to any student."	
No comparable legislative provision.	Section 487(a) is amended to add a new paragraph that reads as follows: **"(23) The institution will meet the requirements of the Secretary established pursuant to (the above section number)"** Section 487 is amended to add a new subsection that reads as follows: **"(f) The Secretary shall prescribe minimum computer hardware and software, as well other electronic capacity, requirements to be met by eligible institutions under this title. Such computer hardware, software, and**	**G-29. Hardware/Software minimal requirements.** NASFAA recommends that the Secretary prescribe minimal hardware and software requirements for each eligible Title IV institution. Schools and their students would benefit from such efficiencies of communication and processing of information. NASFAA is cognizant of the micromanagement of financial aid offices evident in past reauthorizations. Yet, NASFAA believes this recommendation is

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	other electronic capacity requirements shall enable each eligible institution to meet minimal communication and data exchange requirements to administer the programs under this title."	appropriate in this limited circumstance.
Section 487(c) AUDITS; FINANCIAL RESPONSIBILITY; ENFORCEMENT OF STANDARDS.--(1) Notwithstanding any other provisions of this title, the Secretary shall prescribe such regulations as may be necessary to provide for-- (A)(i) except as provided in clause (ii), a financial audit of an eligible institution with regard to the financial condition of the institution in its entirety, and a compliance audit of such institution with regard to any funds obtained by it under this title or obtained from a student or a parent who has a loan insured or guaranteed by the Secretary under this title, on at least an annual basis and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary and shall be available to cognizant	Section 487(c) is amended to read as follows: "(c) AUDITS; FINANCIAL RESPONSIBILITY; ENFORCEMENT OF STANDARDS.--(1) Notwithstanding any other provisions of this title, the Secretary shall prescribe such regulations as may be necessary to provide for-- (A)(i) except as provided in clause (ii), a financial audit of an eligible institution with regard to the financial condition of the institution in its entirety, and a compliance audit of such institution with regard to any funds obtained by it under this title or obtained from a student or a parent who has a loan insured or guaranteed by the Secretary under this title, on at least an annual basis and covering the period since the most recent audit, conducted by a qualified, independent organization or person in accordance with standards established by the Comptroller General for the audit of governmental organizations, programs, and functions, and as prescribed in regulations of the Secretary, the results of which shall be submitted to the Secretary and shall be available to cognizant	**G-30. Electronic reporting of financial and compliance audits.** NASFAA recommends requiring the electronic reporting of financial and compliance audits submitted to the Secretary in a standardized format. NASFAA believes this requirement is administratively reasonable from a gatekeeping and program integrity viewpoint.

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guaranty agencies, eligible lenders, State agencies, and the State review entities referred to in subpart 1 of part H; or (ii) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period covered by such audit;	guaranty agencies, eligible lenders, State agencies, and the State review entities referred to in subpart 1 of part H; or (ii) with regard to an eligible institution which is audited under chapter 75 of title 31, United States Code, deeming such audit to satisfy the requirements of clause (i) for the period covered by such audit; **(iii) such financial and compliance audits shall be reported to the Secretary by electronic means in a standardized format."**	
Section 487A QUALITY ASSURANCE PROGRAM. (a) IN GENERAL.--The Secretary is authorized to select institutions for voluntary participation in a Quality Assurance Program that provides participating institutions with an alternative management approach through which individual schools develop and implement their own comprehensive systems to verify student financial aid application data, thereby enhancing program integrity within the student aid delivery system. The Quality Assurance Program authorized by this section shall be based on criteria that include demonstrated institutional performance, as determined by the Secretary, and shall take into consideration current quality assurance goals, as determined by the Secretary.	Section 487A is amended to read as follows: "QUALITY ASSURANCE PROGRAM. (a) IN GENERAL.--The Secretary is authorized to select institutions for voluntary participation**, and this section shall not be used as a criteria for participation in any activity or program authorized by this title,** in a Quality Assurance Program that provides participating institutions with an alternative management approach through which individual schools develop and implement their own comprehensive systems**, including, but not limited to, ~~to verify~~ verification of** student financial aid application data, thereby enhancing program integrity within the student aid delivery system. The Quality Assurance Program authorized by this section shall be based on criteria that include demonstrated institutional performance, as determined by the	**G-31. Experimental sites and Quality Assurance Program (QAP) and Experimental Sites.** NASFAA believes both the experimental sites and QAP authorized in Section 487A are valuable programs. NASFAA adds legislative language to ensure that participation in each program is voluntary and that diversity among postsecondary institutions selected is a priority of the Secretary. NASFAA recommends that continued experimentation be broadly focused and not limited to verification, among any other limitations.

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	Secretary, and shall take into consideration current quality assurance goals, as determined by the Secretary.	
(b) EXEMPTION FROM REQUIREMENTS.--The Secretary is authorized to exempt any institution participating in the Quality Assurance Program from any reporting or verification requirements in this title, and may substitute such quality assurance reporting as the Secretary deems necessary to ensure accountability and compliance with the purposes of the programs under this title.	(b) EXEMPTION FROM REQUIREMENTS.--The Secretary is authorized to exempt any institution participating in the Quality Assurance Program from any reporting or verification requirements in this title, and may substitute such quality assurance reporting as the Secretary deems necessary to ensure accountability and compliance with the purposes of the programs under this title.	
(c) REMOVAL FROM THE PROGRAM.--The Secretary is authorized to determine--	(c) REMOVAL FROM THE PROGRAM.--The Secretary is authorized to determine--	
(1) when an institution that is unable to administer the Quality Assurance Program must be removed from such program, and	(1) when an institution that is unable to administer the Quality Assurance Program must be removed from such program, and	
(2) when institutions desiring to cease participation in such program will be required to complete the current award year under the requirements of the Quality Assurance Program.	(2) when institutions desiring to cease participation in such program will be required to complete the current award year under the requirements of the Quality Assurance Program.	
(d) EXPERIMENTAL SITES.--(1) The Secretary is authorized to select institutions for voluntary participation as experimental sites to provide recommendations to the Secretary on the impact and effectiveness of proposed regulations or new management initiatives.	(d) EXPERIMENTAL SITES.--(1) The Secretary is authorized to select **among eligible institutions that apply** ~~**institutions**~~ for voluntary participation as experimental sites to provide recommendations to the Secretary on the impact and effectiveness of proposed regulations or new management	

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	initiatives. **Institutions selected by the Secretary shall be, to the extent practicable, broadly representative of the range of eligible postsecondary institutions.**	
(2) The Secretary is authorized to exempt any institution participating as an experimental site from any requirements in this title, or in regulations prescribed under this title, that would bias experimental results.	(2) The Secretary is authorized to exempt any institution participating as an experimental site from any requirements in this title, or in regulations prescribed under this title, that would bias experimental results. **(3) Activities authorized under paragraph (2) shall be of general use to all participating institutions under this title or specific segments of such participating institutions and the Secretary shall not be limited in the use of his authority under the preceding paragraph.**	
(e) DEFINITIONS.--For purposes of this section, ``current award year'' is defined as the award year during which the participating institution indicates its intention to cease participation.	(e) DEFINITIONS.--For purposes of this section, ``current award year'' is defined as the award year during which the participating institution indicates its intention to cease participation.''	
Section 488 TRANSFER OF ALLOTMENTS. In order to offer an arrangement of types of aid, including institutional and State aid which best fits the needs of each individual student, an institution may (1) transfer a total of 25 percent of the institutions allotment under section 462 to the institution's allotment under section 413D or 442 (or both); and (2) transfer 25 percent of the institution's allotment under	Section 488 is amended to read as follows: "TRANSFER OF ALLOTMENTS. In order to offer an arrangement of types of aid, including institutional and State aid which best fits the needs of each individual student, an institution may (1) transfer a total of 25 percent of the institutions allotment under section 462 to the institution's allotment under section 413D or 442 (or both); ~~and~~ (2) transfer	**G-32. Transfer of allotments.** NASFAA believes postsecondary institutions should have authority to transfer up to 25 percent of funds in one campus-based program to another, rather than the more limited transfer authority in current law. The effect of the recommendation would be to go back to the law as it was in effect prior to the 1992 HEA Amendments. NASFAA believes this is a

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section 442 to the institution's allotment under section 413D. Funds transferred to an institution's allotment under another section may be used as a part of and for the same purposes as funds allotted under that section. The Secretary shall have no control over such transfer, except as specifically authorized, except for the collection and dissemination of information.	25 percent of the institution's allotment under section 442 to the institution's allotment under sections 413D **or 462 (or both); and (3) transfer 25 percent of the institution's allotment under section 413D to the institution's allotment under sections 442 or 462 (or both)** . Funds transferred to an institution's allotment under another section may be used as a part of and for the same purposes as funds allotted under that section. The Secretary shall have no control over such transfer, except as specifically authorized, except for the collection and dissemination of information."	common sense change that provides administrative flexibility allowing schools to make decisions according to institutional and student needs.
Section 488A WAGE GARNISHMENT REQUIREMENT. (a) GARNISHMENT REQUIREMENTS.--Notwithstanding any provision of State law, a guaranty agency, or the Secretary in the case of loans made, insured or guaranteed under this title that are held by the Secretary, may garnish the disposable pay of an individual to collect the amount owed by the individual, if he or she is not currently making required repayment under a repayment agreement with the Secretary, or, in the case of a loan guaranteed under part B on which the guaranty agency received reimbursement from the Secretary under section 428(c), with the guaranty agency holding the loan, as	Section 488A is amended to read as follows: "WAGE GARNISHMENT REQUIREMENT. (a) GARNISHMENT REQUIREMENTS.--Notwithstanding any provision of State law, a guaranty agency, **a postsecondary institution or its third party servicer in the case of Part E loans,** or the Secretary in the case of loans made, insured or guaranteed under this title that are held by the Secretary, may garnish the disposable pay of an individual to collect the amount owed by the individual, if he or she is not currently making required repayment under a repayment agreement with **the postsecondary institution in the case of a Part E loan,** the Secretary, or, in the case of a loan guaranteed under part B	**G-33. Wage garnishment.** NASFAA believes wage garnishment authority would be a useful tool in the collection of especially difficult defaulted Federal Perkins Loans and such authority should be granted to postsecondary institutions. NASFAA also recommends coordination of wage garnishment for Federal Perkins Loans in the case of the simultaneous application of wage garnishment to both the Federal Perkins Loan and the FFEL/Direct Loan Programs.

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appropriate, provided that--	on which the guaranty agency received reimbursement from the Secretary under section 428(c), with the guaranty agency holding the loan, as appropriate, provided that--	
(1) the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that a greater percentage may be deducted with the written consent of the individual involved;	(1) the amount deducted for any pay period may not exceed 10 percent of disposable pay, except that a greater percentage may be deducted with the written consent of the individual involved;	
(2) the individual shall be provided written notice, sent by mail to the individual's last known address, a minimum of 30 days prior to the initiation of proceedings, from the guaranty agency or the Secretary, as appropriate, informing such individual of the nature and amount of the loan obligation to be collected, the intention of the guaranty agency or the Secretary, as appropriate, to initiate proceedings to collect the debt through deductions from pay, and an explanation of the rights of the individual under this section;	(2) the individual shall be provided written notice, sent by mail to the individual's last known address, a minimum of 30 days prior to the initiation of proceedings, from the guaranty agency, **the postsecondary institution or its third party servicer in the case of Part E loans,** or the Secretary, as appropriate, informing such individual of the nature and amount of the loan obligation to be collected, the intention of the guaranty agency, **the postsecondary institution or its third party servicer in the case of Part E loans,** or the Secretary, as appropriate, to initiate proceedings to collect the debt through deductions from pay, and an explanation of the rights of the individual under this section;	
(3) the individual shall be provided an opportunity to inspect and copy records relating to the debt;	(3) the individual shall be provided an opportunity to inspect and copy records relating to the debt;	
(4) the individual shall be provided an opportunity to enter into a written agreement with the guaranty agency or the Secretary,	(4) the individual shall be provided an opportunity to enter into a written agreement with the guaranty agency, **the postsecondary**	

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under terms agreeable to the Secretary, or the head of the guaranty agency or his designee, as appropriate, to establish a schedule for the repayment of the debt;	**institution or its third party servicer in the case of Part E loans,** or the Secretary, under terms agreeable to the Secretary, **the postsecondary institution or its third party servicer in the case of Part E loans,** or the head of the guaranty agency or his designee, as appropriate, to establish a schedule for the repayment of the debt;	
(5) the individual shall be provided an opportunity for a hearing in accordance with subsection (b) on the determination of the Secretary or the guaranty agency, as appropriate, concerning the existence or the amount of the debt, and, in the case of an individual whose repayment schedule is established other than by a written agreement pursuant to paragraph (4), concerning the terms of the repayment schedule;	(5) the individual shall be provided an opportunity for a hearing in accordance with subsection (b) on the determination of the Secretary**, the postsecondary institution or its third party servicer in the case of Part E loans,** or the guaranty agency, as appropriate, concerning the existence or the amount of the debt, and, in the case of an individual whose repayment schedule is established other than by a written agreement pursuant to paragraph (4), concerning the terms of the repayment schedule;	
(6) the employer shall pay to the Secretary or the guaranty agency as directed in the withholding order issued in this action, and shall be liable for, and the Secretary or the guaranty agency, as appropriate, may sue the employer in a State or Federal court of competent jurisdiction to recover, any amount that such employer fails to withhold from wages due an employee following receipt of such employer of notice of the withholding order, plus attorneys' fees, costs, and, in the	(6) the employer shall pay to the Secretary, **the postsecondary institution or its third party servicer in the case of Part E loans,** or the guaranty agency as directed in the withholding order issued in this action, and shall be liable for, and the Secretary**, the postsecondary institution or its third party servicer in the case of Part E loans,** or the guaranty agency, as appropriate, may sue the employer in a State or Federal court of competent jurisdiction to recover, any amount	

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court's discretion, punitive damages, but such employer shall not be required to vary the normal pay and disbursement cycles in order to comply with this paragraph;	that such employer fails to withhold from wages due an employee following receipt of such employer of notice of the withholding order, plus attorneys' fees, costs, and, in the court's discretion, punitive damages, but such employer shall not be required to vary the normal pay and disbursement cycles in order to comply with this paragraph;	
(7) if an individual has been reemployed within 12 months after having been involuntarily separated from employment, no amount may be deducted from the disposable pay of such individual until such individual has been reemployed continuously for at least 12 months; and	(7) if an individual has been reemployed within 12 months after having been involuntarily separated from employment, no amount may be deducted from the disposable pay of such individual until such individual has been reemployed continuously for at least 12 months; and	
(8) an employer may not discharge from employment, refuse to employ, or take disciplinary action against an individual subject to wage withholding in accordance with this section by reason of the fact that the individual's wages have been subject to garnishment under this section, and such individual may sue in a State or Federal court of competent jurisdiction any employer who takes such action. The court shall award attorneys' fees to a prevailing employee and, in its discretion, may order reinstatement of the individual, award punitive damages and back pay to the employee, or order such other remedy as may be reasonably necessary.	(8) an employer may not discharge from employment, refuse to employ, or take disciplinary action against an individual subject to wage withholding in accordance with this section by reason of the fact that the individual's wages have been subject to garnishment under this section, and such individual may sue in a State or Federal court of competent jurisdiction any employer who takes such action. The court shall award attorneys' fees to a prevailing employee and, in its discretion, may order reinstatement of the individual, award punitive damages and back pay to the employee, or order such other remedy as may be reasonably necessary.	
(b) HEARING REQUIREMENTS.--A	(b) HEARING REQUIREMENTS.--A	

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hearing described in subsection (a)(5) shall be provided prior to issuance of a garnishment order if the individual, on or before the 15th day following the mailing of the notice described in subsection (a)(2), and in accordance with such procedures as the Secretary or the head of the guaranty agency, as appropriate, may prescribe, files a petition requesting such a hearing. If the individual does not file a petition requesting a hearing prior to such date, the Secretary or the guaranty agency, as appropriate, shall provide the individual a hearing under subsection (a)(5) upon request, but such hearing need not be provided prior to issuance of a garnishment order. A hearing under subsection (a)(5) may not be conducted by an individual under the supervision or control of the head of the guaranty agency, except that nothing in this sentence shall be construed to prohibit the appointment of an administrative law judge. The hearing official shall issue a final decision at the earliest practicable date, but not later than 60 days after the filing of the petition requesting the hearing.	hearing described in subsection (a)(5) shall be provided prior to issuance of a garnishment order if the individual, on or before the 15th day following the mailing of the notice described in subsection (a)(2), and in accordance with such procedures as the Secretary, **the postsecondary institution or its third party servicer in the case of Part E loans,** or the head of the guaranty agency, as appropriate, may prescribe, files a petition requesting such a hearing. If the individual does not file a petition requesting a hearing prior to such date, the Secretary, **the postsecondary institution or its third party servicer in the case of Part E loans,** or the guaranty agency, as appropriate, shall provide the individual a hearing under subsection (a)(5) upon request, but such hearing need not be provided prior to issuance of a garnishment order. A hearing under subsection (a)(5) may not be conducted by an individual under the supervision or control of the head of the guaranty agency, **the postsecondary institution or its third party servicer in the case of Part E loans,** except that nothing in this sentence shall be construed to prohibit the appointment of an administrative law judge. The hearing official shall issue a final decision at the earliest practicable date, but not later than 60 days after the filing of the petition requesting the hearing.	

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(c) NOTICE REQUIREMENTS.--The notice to the employer of the withholding order shall contain only such information as may be necessary for the employer to comply with the withholding order. (d) DEFINITION.--For the purpose of this section, the term ``disposable pay'' means that part of the compensation of any individual from an employer remaining after the deduction of any amounts required by law to be withheld.	(c) NOTICE REQUIREMENTS.--The notice to the employer of the withholding order shall contain only such information as may be necessary for the employer to comply with the withholding order. (d) DEFINITION.--For the purpose of this section, the term ``disposable pay'' means that part of the compensation of any individual from an employer remaining after the deduction of any amounts required by law to be withheld. **(e) The Secretary, the postsecondary institution or its third party servicer in the case of Part E loans, or the guaranty agency, shall agree on a joint garnishment withholding order in the case of multiple loans under this title obtained by the borrower if he or she is not currently making required repayment under a repayment agreement with the postsecondary institution in the case of a Part E loan, the Secretary, or, in the case of a loan guaranteed under part B on which the guaranty agency received reimbursement from the Secretary under section 428(c), with the guaranty agency holding the loan, as appropriate."**	
Section 491(c)(2) Not less than 7 members of the Advisory Committee shall be individuals who have been appointed on the basis of	Section 491(c)(2) is amended to read as follows: "(2) Not less than 7 members of the Advisory Committee shall be individuals who	**G-34. Advisory Committee.** NASFAA proposes adding language to ensure the membership of the Advisory Committee

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technical qualifications, professional standing and demonstrated knowledge in the fields of higher education and student aid administration, need analysis, financing postsecondary education, student aid delivery, and the operations and financing of student loan guarantee agencies.	have been appointed on the basis of technical qualifications, professional standing and demonstrated knowledge in the fields of higher education and student aid administration, need analysis, financing postsecondary education, student aid delivery, and the operations and financing of student loan guarantee agencies. **Such members shall include a broad and representative range of postsecondary institutions."**	comes from a broad and representative range of institutions to ensure a diversity of experience and opinion to inform the discussions and recommendations of that group.
Section 492 REGIONAL MEETINGS AND NEGOTIATED RULEMAKING. (a) MEETINGS.--	Section 492 is amended to read as follows: **"CONSULTATION AND NEGOTIATED RULEMAKING (a) In developing regulations, policies, and operating procedures under this title, the Secretary shall, to the greatest extent practicable, convene and consult with small expert groups and affected parties, including financial aid administrators, and may use focus groups.** ~~**REGIONAL MEETINGS AND NEGOTIATED RULEMAKING.**~~ ~~**(a) MEETINGS.--**~~	**G-35. Consultation and negotiated rulemaking.** The current law is outdated and needs to be revised. NASFAA believes the Department's current practice of involving small groups of financial aid professionals to study issues and initiatives is a sound approach and should be encouraged and mandated by law.
(1) IN GENERAL.--The Secretary shall convene regional meetings to obtain public involvement in the development of proposed regulations for parts B, G, and H of this title. Such meetings shall include individuals and representatives of the groups involved in student financial assistance programs under this title, such as students, legal assistance	~~**(1) IN GENERAL.--The Secretary shall convene regional meetings to obtain public involvement in the development of proposed regulations for parts B, G, and H of this title. Such meetings shall include individuals and representatives of the groups involved in student financial assistance programs under this title, such as students, legal**~~	

Current Law	Suggested Amendment	Rationale
organizations that represent students, institutions of higher education, guaranty agencies, lenders, secondary markets, loan servicers, guaranty agency servicers, and collection agencies. (2) ISSUES.--During such meetings, the Secretary shall provide for a comprehensive discussion and exchange of information concerning the implementation of parts B, G, and H, as amended by the Higher Education Amendments of 1992. The Secretary shall take into account the information received at such meetings in the development of proposed regulations and shall publish a summary of such information in the Federal Register together with such proposed regulations.	~~assistance organizations that represent students, institutions of higher education, guaranty agencies, lenders, secondary markets, loan servicers, guaranty agency servicers, and collection agencies.~~ ~~(2) ISSUES.--During such meetings, the Secretary shall provide for a comprehensive discussion and exchange of information concerning the implementation of parts B, G, and H, as amended by the Higher Education Amendments of 1992. The Secretary shall take into account the information received at such meetings in the development of proposed regulations and shall publish a summary of such information in the Federal Register together with such proposed regulations.~~	
(b) DRAFT REGULATIONS.--After holding regional meetings and before publishing proposed regulations in the Federal Register, the Secretary shall prepare draft regulations implementing parts B, G, and H of this title as amended by the Higher Education Amendments of 1992 and shall submit such regulations to a negotiated rulemaking process. The Secretary shall follow the guidance provided in sections 305.82-4 and 305.85-5 of chapter 1, Code of Federal Regulations, and any successor recommendation, regulation, or law. Participants in the negotiations process shall be chosen by the Secretary from	(b) DRAFT REGULATIONS.--~~After holding regional meetings and before publishing proposed regulations in the Federal Register, the~~ **The** Secretary shall prepare draft regulations implementing **all** parts ~~B, G, and H~~ of this title as amended by **this Act** ~~the Higher Education Amendments of 1992~~ and shall submit such regulations to a negotiated rulemaking process. The Secretary shall follow the guidance provided in sections 305.82-4 and 305.85-5 of chapter 1, Code of Federal Regulations, and any successor recommendation, regulation, or law. Participants in the negotiations process shall be	NASFAA believes the negotiated rulemaking process that followed the 1992 HEA reauthorization, while flawed, was a valuable exercise which led to better focused, more tightly written regulations. NASFAA recommends improvements in the process by making Department/higher education community negotiated rulemaking parallel procedures practiced by other government agencies and produce a more compulsory decision-making procedure.

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Current Law	Suggested Amendment	Rationale
individuals nominated by groups participating in the regional meetings described in subsection (a)(1), and shall include both representatives of such groups from Washington, D.C., and industry participants. To the extent possible, the Secretary shall select individuals reflecting the diversity in the industry, representing both large and small participants, as well as individuals serving local areas and national markets. The negotiation process shall be conducted in a timely manner in order that the final regulations may be issued by the Secretary within the 240-day period described in section 431(g) of the General Education Provisions Act.	chosen by the Secretary from individuals nominated by **individuals and** groups ~~**participating in the regional meetings described in subsection (a)(1),**~~ and shall include both representatives of such groups from Washington, D.C., and industry participants. To the extent possible, the Secretary shall select individuals reflecting the diversity in the industry, representing both large and small participants, as well as individuals serving local areas and national markets. The negotiation process shall be conducted in a timely manner in order that the final regulations may be issued by the Secretary within the 240-day period described in section 431(g) of the General Education Provisions Act. **The Secretary is urged to follow, rather than modify, the general accepted practice and process used by other federal agencies utilizing the negotiated rulemaking process.**	
(c) APPLICABILITY OF FEDERAL ADVISORY COMMITTEE ACT.--The Federal Advisory Committee Act shall not apply to activities carried out under this section.	(c) APPLICABILITY OF FEDERAL ADVISORY COMMITTEE ACT.--The Federal Advisory Committee Act shall not apply to activities carried out under this section.	
(d) AUTHORIZATION OF APPROPRIATIONS.--There are authorized to be appropriated in any fiscal year or made available from funds appropriated to carry out this part in any fiscal year such sums as may be	(d) AUTHORIZATION OF APPROPRIATIONS.--There are authorized to be appropriated in any fiscal year or made available from funds appropriated to carry out this part in any fiscal year such sums as may be	

Current Law	Suggested Amendment	Rationale
necessary to carry out the provisions of this section, except that if no funds are appropriated pursuant to this subsection, the Secretary shall make funds available to carry out this section from amounts appropriated for the operations and expenses of the Department of Education.	necessary to carry out the provisions of this section, except that if no funds are appropriated pursuant to this subsection, the Secretary shall make funds available to carry out this section from amounts appropriated for the operations and expenses of the Department of Education."	
No comparable legislative provision.	Section 498 is amended by adding a new subsection that reads as follows: **"(k) The Secretary shall provide on-line access to institutional data as provided under subsection (b) to such eligible institution that provides such information. This provision shall be effective one year after the date of enactment of these amendments."**	**G-36. School access to institutional eligibility information.** NASFAA recommends allowing schools on-line access to their institutional eligibility data. NASFAA believes schools should have on-line access to the information provided to the Department used to determine institutional eligibility for purposes of determining its accuracy.

Appendix

National Association of Student Financial Aid Administrators (NASFAA) Reauthorization Recommendations
Appendix

Current Law	Suggested Amendment	Rationale
No comparable legislative provision.	**NASFAA recommends not modifying the HEA to allow front-loading of Federal Pell Grant Program.**	**AP-1. Federal Pell Grant Program Provisions.** **AP-1a. Front-loading Federal Pell Grants.** NASFAA considered and, then, rejected turning the Federal Pell Grant Program into a front-loaded program. NASFAA believes if its proposal is accepted by the Congress, that decision would do much to redress the grant\loan imbalance and reduce student debt burdens without the acute restructuring of the aid system resulting from front-loading Federal Pell Grants.
No comparable legislative provision.	**NASFAA opposes placing either a dollar or student cap on the program.**	**AP-1b. Federal Pell Grant limitation proposals.** NASFAA opposes caps, either on the number of students served or a limitation on years, in the Federal Pell Grant Program. Recent congressional appropriations bills have capped the number of students eligible for the program. Fortunately, those caps have not been breached, but if they were, then the program would be turned into a first-come, first-served program which would disadvantage late filers.

Current Law	Suggested Amendment	Rationale
No comparable legislative provision.	**No provision implementing this recommended.**	**AP-2. FSEOG for graduate students.** NASFAA opposes any recommendation that, while permissive, would allow graduate students to be FSEOG eligible. While NASFAA recognizes the important benefits of graduate study and, also, recognize the special financial needs of graduate/professional students, NASFAA notes FSEOG historically has provided access for undergraduates and that Title IX of the HEA provides special assistance for graduate/professional students. FSEOG funds already are limited and the program should continue as an undergraduate-only program to help reduce undergraduate debt burden and provide access to an undergraduate postsecondary education. NASFAA is concerned that extending FSEOG to graduate students only would increase pressures on financial aid offices from graduate school officials and, thereby, undergraduate students would lose limited campus FSEOG funding. Finally, FSEOG is gift aid and that graduate/professional students all are considered independent students under the Federal Methodology which leads to difficulties in assessing need of individuals in this class of students.

Current Law	Suggested Amendment	Rationale
Several conflicting legislative statutes.	**None at this time with to bring this to the attention of the authorizing committees.**	**AP-3. Bankruptcy and resumption of Title IV eligibility.** NASFAA brings to the attention of Congress the disparity in the treatment of regaining eligibility for Title IV aid between those that default and those who declare bankruptcy. Students who default may become Title IV eligible if they make 3 or 12 consecutive payments on the defaulted loan (number depends on the program). At the same time, individuals who discharge their student loans in bankruptcy are automatically Title IV eligible for new loans. NASFAA urges a congressional solution to the bankruptcy/assumption of debt problem, however, federal bankruptcy law precludes a simple HEA reauthorization solution.
Multiple provisions in the Act.	**Retain current law.**	**AP-4. Study abroad.** Retaining these provisions will permit larger Title IV awards for students studying abroad whose costs may be greater than those for on-campus students. NASFAA suggests these provisions are a useful tool for aid administrators and enable them to better serve this group of students. These provisions allow needy students the chance to study abroad and ensure that these educational opportunities are not limited only to more economically

Current Law	Suggested Amendment	Rationale
		advantaged students.
No comparable legislative provision.	**No provision implementing this recommended.**	**AP-5. Block Grants.** NASFAA opposes the use of block grants. NASFAA believes the current decentralized system inherent in the campus-based programs meets many objectives of proponents who argue federal student aid should be "block granted." NASFAA opposes proposals to block grant campus-based or other federal student aid. NASFAA is concerned that proposals to block grant federal student aid only would lead to increases in administrative complexity on campus or in dealing with other agencies administering such block grants. If history is any guide, then NASFAA is further concerned that prior block grant legislation enacted by previous Congresses led to decreased appropriations for those programs which were "block granted."
No comparable legislative provision.	NASFAA recommends the addition of a new section to read as follows: **The Secretary shall continue development of Project EASI and annually report to the House and Senate authorizing and appropriations committees on progress of implementation to date.**	**AP-6. Project EASI.** NASFAA, by statute, would encourage progress on Project EASI. It holds much promise for simplifying the student aid process by use of new technologies and streamlined administrative procedures.

Current Law	Suggested Amendment	Rationale
No comparable legislative provision.	**Developed as part of legislation.**	**AP-7. HEA implementation dates.** While budget considerations may be important in this reauthorization of the HEA, NASFAA urges the Congress when writing implementation dates for various HEA provisions to be cognizant that campuses need time to implement any changes in the Act. The 1992 Amendments contained "date of enactment" or quickly implemented provisions that were impossible for the Department of Education to inform schools of, not to mention, the impossibility of schools implementing those provisions. NASFAA urges the Congress in this reauthorization not to force schools into impossible implementation dates. Such impossible implementation dates result in confusion, misplaced efforts, and inadvertent violations of the HEA as revised.

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